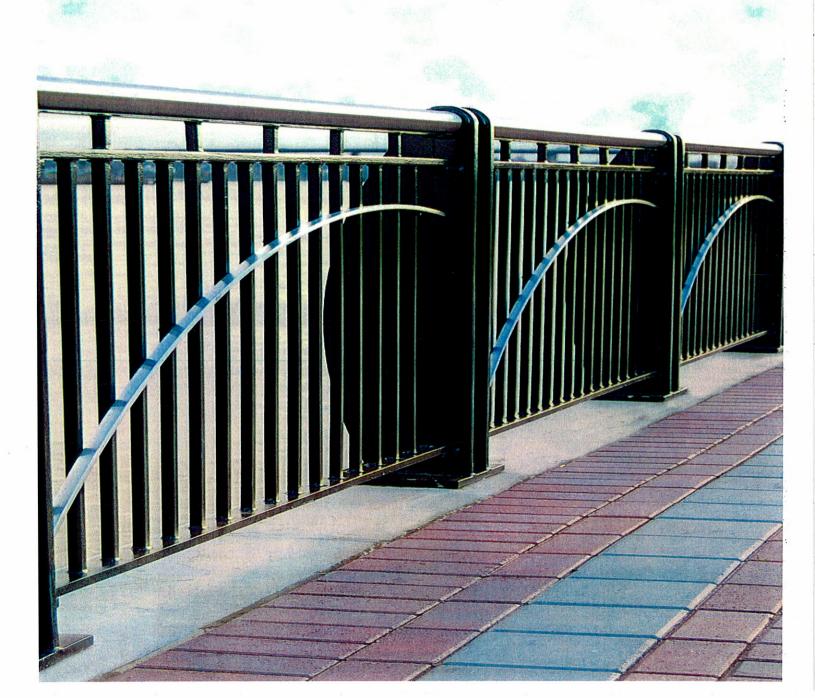
CITY OF BANGOR, MAINE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR JUNE 30, 2005





FRONT COVER DEPICTS THE DECORATIVE RAILINGS OF THE CITY OF BANGOR, MAINE'S WATERFRONT.
FRONT COVER AND INSERT PAGE PHOTOGRAPHS TAKEN BY CHARLIE MITCHELL.

CITY OF BANGOR, MAINE

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2005

Prepared by:

Debbie Cyr, Finance Director

David Little, Tax Collector/Deputy Treasurer

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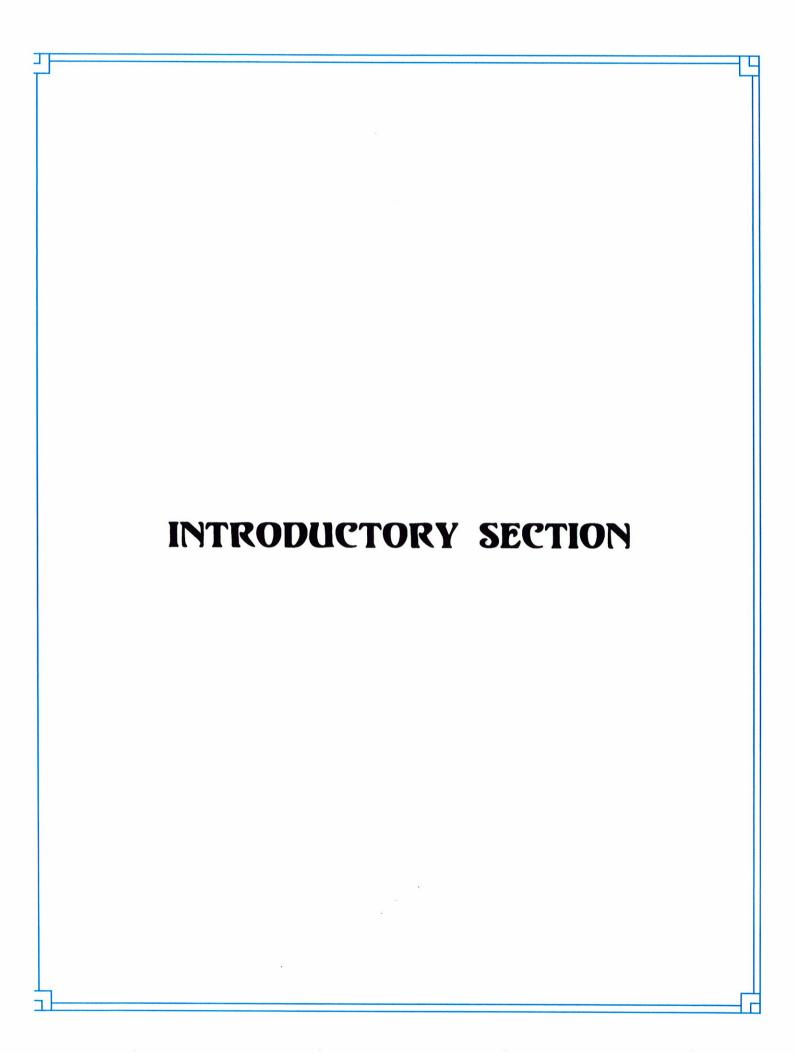
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FINANCE DEPARTMENT Deborah A. Cyr, Finance Director

December 14, 2005

To the Honorable Chairman, Members of the Bangor City Council, and Citizens of Bangor

In accordance with the requirements of both our City Charter and state statutes, the comprehensive annual financial report of the City of Bangor for the fiscal year ended June 30, 2005 is hereby submitted. This is the third year that the City's Finance Department has prepared this report using the new reporting requirements prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Bangor. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the City of Bangor on a government wide and fund basis.

The City is responsible for establishing and maintaining an internal control framework designed to ensure that the assets of the City are protected from loss, theft, and misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

The City's financial statements have been audited by Runyon, Kersteen, Ouellette. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's unqualified opinion is presented as the first component of the financial section of this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Information related to this single audit, including a schedule of expenditures of federal awards, findings, questioned costs, recommendations, and the independent auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separately issued single audit report.

GASB requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

The City of Bangor is situated in eastern Maine, is the Penobscot County seat, and is the third most populous of Maine's 22 cities. The City occupies approximately 35 square miles on the western shore of the Penobscot River. Bangor was first settled in 1656, incorporated as a town on February 25, 1791 and as a city on February 12, 1834. Bangor has become a major trade, distribution, service, and commercial center for the central, eastern, and northern portions of the State.

The City operates under a Charter adopted in 1931 that provides for a Council-Manager form of government. The City Council is composed of nine members who are elected at large for three-year staggered terms. The Charter grants to the Council all powers to enact, amend, or repeal rules, ordinances, and resolutions relating to the City's property, affairs, and government; to preserve the public peace, health, and safety; to establish personnel policies; to give effect to any vote of the City; and to authorize the issuance of debt. The Council adopts an annual budget and provides for an annual audit. The City Manager is the chief administrative officer of the City and is appointed by the Council, as are the Assessor, Solicitor, and Clerk. The current City Manager has been in his position since 1988.

The City's schools are governed by a seven-member School Committee. Its members are elected at large to staggered three-year terms. By Charter, the School Committee has all the powers and performs all the duties related to the care and management of the public schools of the City. The Committee annually furnishes to the City Council an estimate of sums required for school purposes for the ensuing municipal year. The City Council makes a single gross

appropriation for this purpose with the expenditure of this appropriation under the direction and control of the School Committee. The School Committee employs the Superintendent of Schools as its chief operating officer. The current Superintendent has been in his position since July 2000.

The City provides a full range of municipal services including police and fire, highways and sanitation, health and welfare, parks and recreation, education, public transportation, planning, business and economic development, code enforcement, and general administrative services. Bangor International Airport, sanitary sewer services, the Bass Park Complex, parking, golf course, economic development, and a transitional housing complex are accounted for in the City's Enterprise Funds.

The City's budgeting process is structured around its fiscal year, which begins on July 1st and ends on the following June 30th. The City annually adopts budgets for its general fund and seven enterprise funds. The City Charter requires that the City Manager submit a recommended budget to the Council by the second Monday in April. The budget, which must be in balance, contains estimates of all non-tax revenues and receipts expected to be received during the next fiscal year, the expenditures necessary to support City operations, debt service requirements, and the tax levy required to achieve balance between revenues and expenditures. The Council may modify recommended expenditures and the recommended tax levy. If the Council fails to adopt a budget by July 1st, the City Manager's proposed budget automatically becomes that fiscal year's budget. In either case, an appropriate property tax levy is established and filed with the City Assessor who then sets the necessary property tax rate.

The annual budget serves as the foundation for the City's financial planning and control and is prepared by fund, function, and department. The City Manager may transfer resources within a department; however, transfers between departments require Council action.

Special Revenue Funds do not have legally adopted budgets but have program budgets. Budgetary controls are maintained on other governmental funds through formal authorizations by the City Council and through grant agreements. All budgets are legally adopted by the City Council through the passage of an appropriation resolve.

Factors Affecting Financial Condition

Local economy. The City is the economic, educational, recreational, distribution, and health care center for the central, eastern, and northern Maine regions. Bangor also serves as northern New England's economic link to the Canadian Maritimes and Eastern Quebec. The City is a major center for the

communication, banking, commercial, industrial, healthcare, and governmental sectors of the State.

Bangor has a stable and varied economic base. Major employers include a diversified mix of health care, educational, professional, retail, manufacturing, and governmental entities. Bangor's 2004 unemployment rate of 4.3% continues to be below both state and national rates.

Bangor is the second largest retail market in Maine after Portland. The Bangor Mall, Airport Mall, Broadway commercial center, Union Street commercial corridor, and the Bangor Center Development District (downtown) have long established Bangor as the regional hub of the eight-county eastern Maine retail market. Bangor's retail sector serves an extensive geographic area ranging from eastern Maine to the Canadian Maritimes with a population exceeding 3.1 million. With less than three percent of the State's population, Bangor's share of the State's retail sales has remained in excess of 9% since 1999. Over the same period, Bangor's share of County sales has grown significantly to just over 70%.

Further evidence of continuing sustained growth is the change in the City's assessed value of real and personal property, which has increased on average 3% per annum for the last ten years. Tax base growth coupled with the City's focus on controlling budgetary growth, has resulted in a reduction in the City's tax rate of 4.75% from 1996 to 2005.

The City is committed to preserving its viable economic base while creating new opportunities for future economic growth. To achieve these objectives, the City is proactive in supporting economic activity through planned capital improvements, innovative financing, and aggressive marketing.

Long-term financial planning and major initiatives. The City prepares a five-year capital plan that is updated at least biannually as part of the overall budget process. The plan identifies all anticipated capital investments as well as potential funding sources.

The City has begun construction of a new police station. The current station was built in 1940 and has significant structural issues. It is anticipated that this project will cost approximately \$8 million. Through the relocation of the station, two additional goals will be achieved: improved police visibility and the provision of additional space adjacent to the Penobscot County offices to allow for its future expansion.

Progress continues in the redevelopment of almost a mile of prime Penobscot River frontage extending from the City's downtown area to the Bass Park Complex. A majority of the infrastructure has been completed, for which the City has been successful in obtaining partial funding from both State and Federal

agencies. Current plans call for some \$180 million in development including: a headquarters hotel and high-technology conference center, new class A office space, restaurant and retail space, residential apartments and condominiums, and other private sector projects.

In November 2003, a statewide referendum was approved that authorized installation of slot machines at harness racing facilities in Maine after local voter approval. The City of Bangor is the only location in the State of Maine that has met this requirement. The City has entered into a development agreement with Bangor Historic Track, a wholly owned subsidiary of Penn National Gaming, to redevelop Bangor Raceway and a portion of the surrounding Bass Park property. Penn National Gaming opened a temporary gaming facility containing 475 slot machines in November 2005 and anticipates breaking ground for the permanent facility in 2006. Under the agreement, the City will receive a percentage of gross slot revenue as well as land lease payments and property taxes on new development. In October 2005, the City established a special revenue fund to account for all such payments. In addition, the Council Order specifies that the primary use of the funds received will be to construct a new arena in Bangor to replace the Bangor Auditorium which opened in Bass Park in 1954.

Over the years, the City has invested significant resources and effort into improving our local environment and protecting our natural resources. In recent years, the City has performed environmental remediation work on the waterfront, a former gas works site, and a former laundry/dry cleaning establishment, and undertaken significant sewer system improvements and a project to direct all de-icing fluid used at Bangor International Airport directly to the treatment plant. In addition, the City continues to acquire property to expand the City forest as both an open space element and in an effort to protect wetlands and watersheds in the Bangor Mall area. During the past year, the City added a position to specifically address environmental compliance and training issues. The City also worked with all interested parties to resolve land use issues related to the Penjajawoc Marsh area adjacent to the Bangor Mall.

Awards and Acknowledgements. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bangor for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA for consideration for another certificate.

The preparation of this document would not have been possible without the hard work of all of the City's employees. Each one contributes on a daily basis, simply by carrying out the responsibilities of their positions.

Our sincerest thanks are once again extended to our Citizens and the Bangor City Council for their continued support for our efforts to further develop the City's financial management and reporting capabilities. We hope that we have once again met their expectations.

Respectfully submitted

Debbie Cyr

Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bangor, Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Caney L. Zielle President

Executive Director

City of Bangor, Maine Elected Officials and Principal Administrative Officers June 30, 2005

City Council

Frank J. Farrington, Mayor

Anne E. Allen Peter R. D'Errico Geoffrey M. Gratwick Susan Hawes John H. Cashwell III Frank J. Farrington Richard D. Greene Daniel J. Tremble

City Staff

Edward A. Barrett, City Manager

Benjamin F. Birch, City Assessor Norman Heitmann, City Solictor Gail E. Campbell, City Clerk Debbie Cyr, Finance Director

School Committee

Martha G. Newman, Chair

Susan A. Carlisle Phyllis S. Guerette Christine Szal James Cox Phyllis M. Shubert, Vice Chair Ellen Tobin

School Staff

Robert Ervin, Superintendent of Schools Alan F. Kochis, Director of Business Services

FINANCIAL	SECTION	

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Independent Auditor's Report

City Council City of Bangor, Maine

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine as of June 30, 2005 and for the year then ended, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Bangor, Maine's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bangor, Maine, as of June 30, 2005, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 7, 2005, on our consideration of the City of Bangor, Maine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

City Council Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bangor, Maine's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

October 7, 2005

South Portland, Maine

(lunger Kersteen Ovellette

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the City of Bangor offers readers of the financial statements this narrative overview and analysis of the financial activities of the City of Bangor for the fiscal year ended June 30, 2005. In addition to comparative information from the government-wide statements, the City is presenting comparative data that is based on key information presented in the fund financial statements. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, which can be found on pages I-1 to I-6 of this report.

Financial Highlights

- The assets of the City of Bangor exceeded its liabilities at the close of the most recent fiscal year by \$199.2 million (net assets).
- As of the close of the current fiscal year, the City of Bangor's governmental funds reported combined ending fund balances of \$21.3 million, a decrease of \$2.3 million in comparison with the prior year. The decrease in fund balance is due to the planned use of \$1.2 million from the General Fund's Undesignated Fund Balance and a reduction in unexpended bond proceeds available within the Capital Projects Fund. Approximately 77% of the total amount, or \$16.5 million is available for spending at the City's discretion (unreserved fund balance).
- The City of Bangor has a fund balance policy. The City strives to maintain a general fund unreserved/undesignated fund balance of 5% - 10% of current expenditures less debt service. At the end of the current fiscal year, unreserved undesignated fund balance for the general fund was \$6.2 million, or 8.4% of the general fund expenditure base. The annual calculation is included within the financial statements as Schedule E-2.
- The total liabilities of the City's governmental and enterprise funds increased by \$1.8 million (15.8%) and \$0.4 million (0.1%), respectively. The increase in governmental fund liabilities is due to an increase in interfund loans payable of \$2.5 million, which is merely a timing issue associated with an increase in intergovernmental receivables, and a decrease of \$1.0 million in accounts payable, due to the timing of invoices received in the prior year. The enterprise fund liabilities are virtually unchanged.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Bangor's basic financial statements. These statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements present the financial picture of the City from the point of view of economic resources measurement and using the accrual basis of accounting, which is similar to

that used by private-sector companies. These statements present governmental activities and business type activities separately.

The statement of net assets includes all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused employee vacation leaves).

These statements are divided into two categories: governmental activities and businesstype activities.

- Governmental activities Most of the City's basic services are included here, such as
 the general government, public safety, public works, health and welfare, education,
 and parks and recreation. These activities are principally supported by taxes and
 intergovernmental revenues.
- Business-type activities Currently the City operates the following business-type activities: Bangor International Airport, Sewer Utility, the Bass Park Complex, Parking, Golf Course, Economic Development, and the Park Woods Complex.

The government-wide financial statements can be found on pages II-14 to II-15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bangor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method called modified accrual accounting that measures cash and all other financial assets that can readily be converted to cash. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The City of Bangor maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, community development block grant, and capital

projects fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements (Schedule B) elsewhere in this report.

The City of Bangor adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget (Schedule A-2).

 Proprietary funds are used to account for essentially the same functions reported as business-type activities in the government-wide financial statements. Enterprise funds are the only type of proprietary funds maintained by the City. The proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

The City maintains seven individual proprietary funds, all of which are considered to be major.

The City of Bangor adopts annual budgets for all of its proprietary funds. Budgetary comparison statements have been provided for each proprietary fund to demonstrate compliance with budget (Schedule C1-C7).

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Its' statement of net assets is included in this report as Exhibit 10.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages II-26 through II-48 of this report.

Government-wide Financial Analysis

The following is a condensed version of the Statement of Net Assets.

	Governmental <u>Activities</u>		Business-type <u>Activities</u>		<u>Total</u>	
	2005	2004	2005	2004	2005	2004
Current & other assets Capital assets, net Total assets	33,494,057 <u>67,242,532</u> ; 100,736,589	62,379,107	191,578,046	34,522,163 186,646,869 221,169,032	258,820,578	249,025,976
Long-term debt outstanding Other liabilities Total liabilities Net assets: Invested in:	63,316,604 10,923,005 74,239,609		47,682,467 <u>4,359,887</u> 52,042,354	3,023,041	110,999,071 <u>15,282,892</u> 126,281,963	14,098,136
Capital assets, net of related debt Restricted Unrestricted	41,904,750 513,851 (15,921,621)	510,433	-	146,349,268 - 22,965,554	513,851	510,433
Total net assets	26,496,980	21,921,342	172,676,422	169,314,822	199,173,402	191,236,164

By far the largest portion of the City's net assets (97% or \$192.7 million) reflects its investment in capital assets (i.e. land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to satisfy these liabilities.

Restricted net assets are those resources that are subject to external restrictions on how they may be used. While the remaining balance of unrestricted net assets is \$5.9 million, the governmental activity portion shows a deficit of \$15.9 million. This is primarily due to \$27.9 million in outstanding pension obligation bonds. Although the City made all required contributions to the Maine State Retirement System's (MSRS) Participating Local District plan, an unfunded pension liability existed at the time MSRS created the Consolidated plan. Until fiscal year 2002, this liability was being paid to the MSRS over twenty eight years at a rate of 8%. In fiscal year 2002, the City issued bonds to pay off the MSRS resulting in savings of \$8.2 million over the life of the debt.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for most of its separate governmental and business-type activities, the exception being the unrestricted governmental activities net assets. The same situation held true for the prior fiscal year.

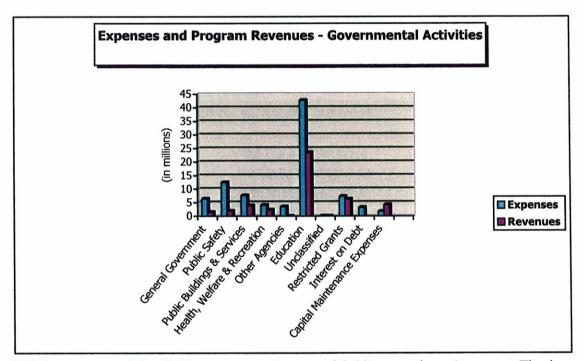
Changes in Net Assets

The following is a condensed version of the Statement of Activities.

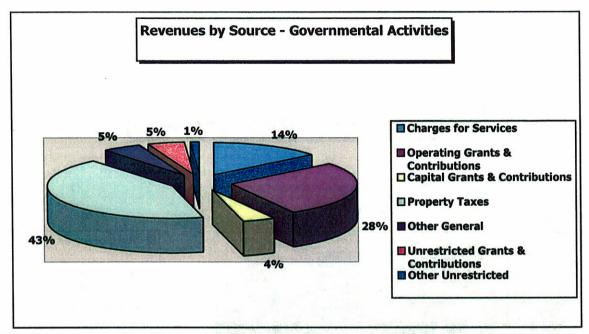
	Governmental <u>Activities</u>		Business-type <u>Activities</u>		<u>Total</u>	
	2005	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u> 2005</u>	<u>2004</u>
Revenues						
Program Revenues						
Charges for services	13,444,768	12,435,549	21,011,412	21,018,131	34,456,180	33,453,680
Operating grants & contributions	25,899,908	24,743,028	-	-	25,899,908	24,743,028
Capital grants & contributions	4,117,072	2,098,577	7,749,367	3,376,637	11,866,439	5,475,214
General Revenues						
Property and other taxes Grants and contributions not	45,113,317	44,603,255	•	•	45,113,317	
Restricted to specific programs	4,487,931	4,512,720	-	•	4,487,931	4,512,720
Other	999,634	912,029	895,064	206,665	1,894,698	1,118,694
Total Revenues	94,062,630	89,305,158	29,655,843	24,601,433	123,718,473	113,906,591
Expenses						
General government	6,435,386	6,487,572	-	-	6,435,386	6,487,572
Public safety	12,478,326	12,066,567	-	-	12,478,326	12,066,567
Health, welfare and recreation	4,000,249	3,606,827	•		4,000,249	3,606,827
Public buildings and services	7,609,989	7,360,360	-	-	7,609,989	7,360,360
Other agencies	3,514,658	3,273,003	-	-	3,514,658	3,273,003
Education	42,659,395	40,279,055	-	-	42,659,395	40,279,055
Unclassified	65,639	389,598	-	-	65,639	389,598
Restricted grants	7,239,601	6,857,039	-	-	7,239,601	6,857,039
Interest on debt	3,166,250	3,083,447	-	-	3,166,250	3,083,447
Capital maintenance expenses	1,674,034	2,666,118	-	~	1,674,034	2,666,118
Sewer Utility	-	-	5,859,588	5,751,710	5,859,588	5,751,710
Airport	-	-	16,368,681	15,060,963	16,368,681	15,060,963
Park Woods	-	-	598,854	531,986	598,854	531,986
Parking	-	-	1,425,508	1,431,983	1,425,508	1,431,983
Bass Park	-	-	1,889,215	1,935,653	1,889,215	1,935,653
Municipal Golf Course	-	-	592,323	626,739	592,323	626,739
Economic Development	<u></u>	-	397,881	338,795	397,881	338,795
Total Expenses	88,843,527	86,069,586	27,132,050	25,677,829	115,975,577	111,747,415
Excess (deficiency) before special items						
and transfers	5,219,103	3,235,572	2,523,793	(1,076,396)	7,742,896	2,159,176
Transfers	(837,806)			948,416	-	
Change in net assets	4,381,297	2,287,156	3,361,599	(127,980)	7,742,896	2,159,176

Governmental Activities

The cost of all governmental activities was \$88.8 million. As shown on the Statement of Activities, the amount of the total financed by the City's property taxpayers was \$40.3, million or 45.4%. Those who directly benefit from the program provided \$13.4 million in payments, and other governments and organizations subsidized certain activities with operating grants and contributions in the amount of \$25.9 million. Capital grants and contributions accounted for \$4.1 million. The City also received \$10.3 million in other general revenues such as State Revenue Sharing, motor vehicle and boat excise taxes, homestead exemption, and interest earnings.



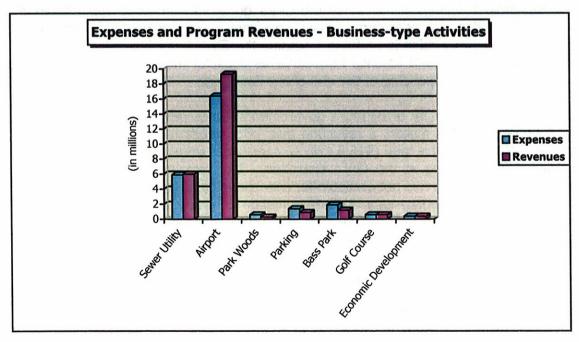
Total governmental activities expenses increased 3.2% over the prior year. The largest single increase was in the Education function. This increase was directly attributable to increased wages and benefits, specifically health insurance.

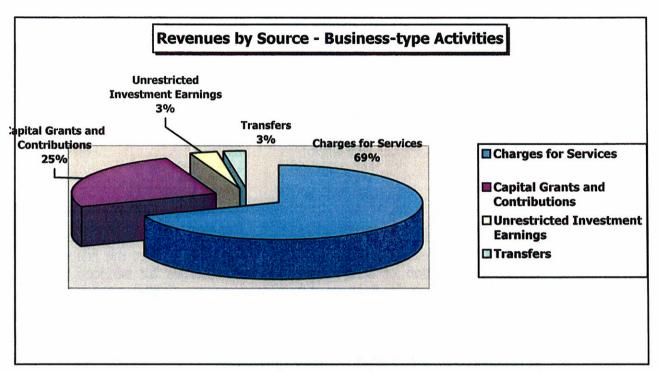


Total governmental activities revenues increased 5.3%. Please note that the school department changed classification of certain revenues from charges for services to operating grants and contributions for financial statement purposes. Capital grants and contributions increased \$2.0 million due to state and federal grants received in conjunction with infrastructure improvements along the waterfront. There was a slight increase in property tax revenue due to continued growth in taxable valuation. In addition, the growth in the stock market was responsible for increased earnings on investments. Lastly, as State general assistance claims increase, so does the reimbursement from the State of Maine.

Business-type Activities

Total expenses of business-type activities increased 5.6%, while total net assets increased by \$3.4 million. The majority of both increases are attributable to the operation of the Airport.





Total business-type activities revenues increased by \$5.1 million. This increase is attributable to additional capital grants and contributions and the continued upswing in the investment market. The increase in capital grants and contributions is not unexpected. The source of funding of Airport capital projects is cyclical in nature. In one year the majority may be provided by grants while the following year's may be primarily supported with local monies such as passenger facility charges previously collected by the Airport.

Financial Analysis of the Government's Funds

Governmental funds. The focus of the City's governmental funds reporting is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

At fiscal year end, the City of Bangor's governmental funds reported combined ending fund balances of \$21.3 million, a reduction over prior year's balance of \$23.0 million. Approximately 77% of this total (\$16.5 million) constitutes unreserved fund balance that is available for spending at the City's discretion. The remainder of fund balance is reserved, indicating that it is not available for new spending because it has already been committed for various purposes including liquidating contracts and purchase orders of prior periods (\$2.7 million), as a reserve for potential non-repayment of interfund balances (\$1.4 million), or for a variety of other restricted purposes (\$.7 million).

The general fund is the chief operating fund of the City. At the end of the fiscal year, the unreserved fund balance of the general fund was \$10.7 million (\$4.5 million of which has been designated by management for subsequent years' expenditures) and the

general fund's total fund balance was \$13.1 million, which represents a \$.7 million reduction from the prior year's balance of \$13.8 million (prior to the Restatement of beginning fund balance). Over the last few years, the City has consistently held funds in excess of its' 7.5% target. In order to bring the actual balance of undesignated fund balance into a more acceptable range, the City appropriated \$1.2 million for capital improvement and community investment purposes during the year.

Proprietary funds. The City of Bangor's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the seven enterprise funds increased \$3.4 million to a total of \$172.7 million, including net asset deficits of \$1.6 million in the Bass Park Fund and \$200 thousand in the Parking Fund.

The Airport Fund shows a significant increase in net assets for 2005, wholly attributable to an increase in capital grant funds. The Sewer, Municipal Golf Course, and Economic Development enterprise operations individually experienced increases in net assets ranging from \$5 thousand to \$77 thousand. Decreases in net assets were experienced by the Park Woods, Parking, and Bass Park Funds ranging from \$124 thousand to \$177 thousand.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget are the result of \$137 thousand in Federal Emergency Management Agency funds that were appropriated to cover costs associated with specific snow events.

Capital Asset and Debt Administration

Capital assets. As of June 30, 2005, the City of Bangor's investment in capital assets for its governmental and business-type activities amounts to \$258.8 million (net of accumulated depreciation), an increase of \$9.8 million over the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads, runways, and sewer lines. The total increase in the City's investment in capital assets for the current fiscal year was 3.9% (a 7.8% increase for governmental activities and a 2.6% increase for business-type activities).

Major capital asset events during the current fiscal year included the following;

- Investment of \$3.4 million in infrastructure on the City's waterfront
- Improvements to local roads and sidewalks in the amount of \$1.1 million through state and local funding sources
- Replacement of municipal vehicles at a cost of .7 million, including a fire pumper truck
- Upgrade of the City's BAT Community Connnector (public transit) Storage facility in the amount of \$400 thousand
- Continuation of the City's aggressive combined sewer overflow program in the amount of \$1.8 million

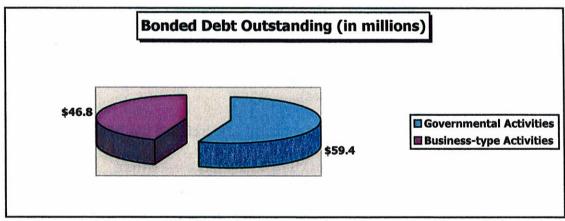
- State, federal, local, and defense department funding to finance \$6.5 million toward the reconstruction of runways, taxiways, perimeter roads, and ramps at Bangor International Airport
- Additions and improvements to properties leased by Bangor International Airport.
- Construction of a deicing fluid collection system and fuel truck containment area at Bangor International Airport in the amount of \$1.3 million.

Capital Assets (net of depreciation)

		Governmental <u>Activities</u>	Business-type <u>Activities</u>
		5 604 330	
Land and improvements		5,681,330	3,806,066
Buildings and improvements		31,770,249	16,512,143
Machinery and equipment		3,993,549	2,316,257
Vehicles		4,788,413	-
Infrastructure		7,236,169	42,407,911
Parking structures		-	4,350,321
Aircraft operational assets		-	114,101,322
Construction in process		13,772,822	8,084,026
	Total	67,242,532	191,578,046

Additional information on the City's capital assets can be found in Note C, Detailed Notes on all funds, of this report.

Debt Administration



At fiscal year end, the City had a total outstanding bonded debt of \$106.2 million, a decrease of \$2.7 million during the year. The decrease is due to \$5.5 million in debt that was issued in June 2004 that was applied in 2005 to refund \$5.3 million in debt issued in 1994.

The City's general obligation debt maintained a "AA-" rating from Standard & Poor's and a "Aa3" rating from Moody's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total State assessed valuation. The current debt limit for the City is \$279.2 million, an amount which is significantly in excess of existing general obligation debt.

Additional information on the City's long-term debt can be found in Note I on pages II-39 to II-42 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City of Bangor for calendar year 2004 is 4.30%, which compares favorably to the State's rate of 4.60%.
- The City's share of retail sales remains in excess of 9% of total statewide sales and 70% of county sales, while Bangor represents less than 3% of the state's population.
- The increased supply of new residential lots that began in 2002 continues in the current fiscal year. Developers continue to construct new housing without a need for the City to significantly improve infrastructure to accommodate this growth.

Beginning in late 2004 and continuing into early 2005, the Maine State Legislature completed work on a sweeping change that affects all levels of Maine's governments . Commonly referred to as LD 1, this legislation was crafted in response to several citizen initiated referendums that appeared on the statewide ballot in November 2004. At that time, voters approved a measure calling for the State to fund 55% of the total cost of local K-12 education. A second initiative that would have severely limited local revenues, while defeated by the voters, led many to conclude that Maine citizens were seeking appropriate limitations on Maine's overall state and local tax burden. LD 1 established a system designed to limit the increase in the municipal property tax levy and spending on education while ramping up the State's share of education costs through the Essential Programs and Services funding model.

The implementation of LD 1 complemented a number of long-standing objectives of officials of the City of Bangor including controlling the rate of increase in property taxes and seeking additional State funding for the Bangor School Department.

LD 1 ties the allowable increase in the municipal property tax levy to a defined growth factor. The growth factor combines the statewide ten-year real growth in total personal income and the local government's percentage increase in new taxable value. This combined factor is applied to the City's base municipal property tax levy to calculate the allowable increase in this levy. Once the allowable increase is calculated, it must be lowered to adjust for any net new state revenues (e.g., increases in State revenue sharing in excess of the allowable growth factor). The City followed the methodology set forth in LD 1 during the process of preparing and adopting its Fiscal Year 2006 budget.

For Fiscal Year 2006, the City Council voted to increase the City's property tax levy limit as allowed by Statue to recognize a significant increase in State reimbursement for the General Assistance program. The size of this increase triggered the revenue offset provisions of LD 1, requiring a corresponding decrease in the City's tax levy. Since State

reimbursements for General Assistance must be spent on this program and given that General Assistance is a State mandate over which the City has limited to no control, management considers this levy limit increase to be a technical modification to the LD 1 requirements. All of which resulted in the passage of the municipal budget within the requirements of LD 1.

LD 1 also implemented the Essential Program and Services Model for educational funding. This model sets forth a comprehensive methodology for computing the cost of providing essential educational programs to Maine's children. It also sets forth a schedule designed to increase the State's share of aid to education to 55% of Essential Programs and Services funding over a three-year period. This change resulted in the City receiving in excess of an additional \$2 million in State School Aid. While the model recognizes what it considers essential programs and their appropriate funding level, the Bangor School Department has identified a number of programs that are either underfunded or not funded by this system. As a result, both the School Committee and the City Council took the necessary action to increase the limits imposed by LD 1 in order to appropriately fund such services and programs. The adopted Fiscal Year 2006 City and School Department budgets fully comply with all requirements of LD 1.

In addition to the changes brought forth by LD 1, the State enacted several other measures to provide property tax relief to its residents. These include doubling the base homestead exemption on owner-occupied residential property to \$13,000 and removing the schedule for reducing the homestead exemption for residential properties valued in excess of \$125,000. The State also expanded the so-called "Circuit Breaker Program" that provides property tax relief to low-income homeowners and renters.

Management continues to track other areas of revenue and expenditure concerns. On the revenue side, we are focusing on flat rates of return on investments and the ability of automobile excise tax collections to keep pace with its recent trend of 4.5% average annual increases. As for expenses, insurance costs have proven volatile. We anticipate returning to near double-digit increases for employee health insurance and somewhat lower increases for commercial insurance coverage. We are also concerned with increases in energy costs and have begun implementing a series of short and long term efforts to reduce the City's energy use. Finally, due to the impending construction of a new police station, the City will be faced with increased debt service in coming years. We anticipate limiting the issuance of general obligation bonds for other projects in the near term in order to minimize the impact on the taxpayer.

User fees for both governmental and business-type activities are reviewed on an annual basis to ensure that fee structures are sufficient to cover the cost of providing such services. While many fees are adjusted annually for inflation, no significant increases are projected at this time.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Bangor's finances. Questions concerning any of this information should be addressed to the Finance Director, City of Bangor, 73 Harlow Street, Bangor, ME 04401.

BASIC FINANCIAL STATEMENTS



CITY OF BANGOR, MAINE Statement of Net Assets June 30, 2005

		overnmental Activities		ısiness-type Activities		Total
ASSETS				11.7.11		
Cash and cash equivalents	\$	212,871	\$	215,455	\$	428,326
Investments	Ψ	11,467,178	Ψ	25,013,240	Ψ	36,480,418
Receivables:		11,107,170		20,010,20		20,,00,.10
Accounts (net of allowance of \$684,712)		880,325		3,949,897		4,830,222
Intergovernmental		5,409,143		1,282,233		6,691,376
Taxes and liens receivable - prior years		931,254		-,202,200		931,254
Taxes receivable - current year		1,107,895		_		1,107,895
Deferred special assessments		30,130		88,700		118,830
Due from water district		-		292,935		292,935
Loans (net of allowance of \$130,131)		5,768,672		2,343,506		8,112,178
Internal balances		1,948,355		(1,948,355)		-
Inventories		605,286		90,984		696,270
Prepaid items		44,121		99,526		143,647
Other assets		5,088,827		1,712,609		6,801,436
Non-depreciable capital assets		18,813,370		10,659,862		29,473,232
Depreciable capital assets, net		48,429,162		180,918,184		229,347,346
Total assets		100,736,589		224,718,776		325,455,365
LIABILITIES						
Accounts payable and other current liabilities		2,931,529		4,028,876		6,960,405
Accrued payroll		3,400,475		263,947		3,664,422
Unearned revenues		4,591,001		67,064		4,658,065
Noncurrent liabilities		.,,		2.,22.		-,,
Due within one year		4,424,954		4,221,470		8,646,424
Due in more than one year		58,891,650		43,459,374		102,351,024
Total liabilities		74,239,609		52,040,731		126,280,340
NET ASSETS						
Invested in capital assets, net of related debt		41,904,750		150,851,663		192,756,413
Restricted for:		71,707,730		150,051,005		1,720,730,713
Nonexpendable trust principal		513,851		_		513,851
Unrestricted		(15,921,621)		21,824,759		5,903,138
				······		*
Total net assets	\$	26,496,980	\$	172,676,422	\$	199,173,402

CITY OF BANGOR, MAINE Statement of Activities For the Fiscal Year Ended June 39, 2005

		1		Operating	Capital		Primary Government	
	ne n	ğ	Charges for	grants and	grants and contributions	Governmental activities	Business-type activities	Total
Functions/programs	enarke.	3						
Primary government:								
Governmental activities:	577	\$ 782 567 7	1 447 058	\$ 10.260	s 09	\$ (4,978,068)		(4,978,068)
General government			000,477,1				•	(10,551,401)
Public safety	74,21	075'0	1,700,000	1 606 733		(1.721.153)		(1,721,153)
Health, welfare and recreation	00,4	4,000,249	**************************************	000 001	1 5	(3 700 785)	•	(3,700,785)
Public buildings and services	09'/	7,609,989	5,700,334	142,070	2 2	(3.481.565)	,	(3,481,565)
Other agencies	3,51	3,514,658	,000	001		(19 142 067)		(19,142,067)
Education	42,65	42,659,395	4,249,280		7.	(12,12,100)		(45.603)
Unclassified	9	65,639	20,036		•	cno(c+)		(200,01)
Restricted grants	7,32	7,326,307	1,079,690	5,208,692		(1,037,925)		(1,037,523)
Interest on debt	3,16	3,166,250	•			_		(3,166,250)
Conital maintenance extremes	167	1 674,034	•		4,117,072		5	2,443,038
Total governmental activities	88,93	88,930,233	13,444,768	25,986,614	14 4,117,072	2 (45,381,779)	-	(45,381,779)
Duniano trans portivities								
Business-type acuvines.	303	869 050 5	5 970 615			•	111,027	111,027
Sewer Unity	0,0	000.5	110,016,0		775 077 7		2.907.747	2,907,747
Airport	16,36	16,368,681	100,125,11		0-1/1/1/1	•	(288,465)	(288,465)
Park Woods	χ	598,854	310,389			•	(481.518)	(481,518)
Parking	1,42	1,425,508	943,990				(650.508)	(650.508)
Bass Park	1,88	1,889,215	1,238,707		•	•	(5367)	(5367)
Municipal Golf Course	83	592,323	586,956			•	15 633	25.812
Economic Development	39	397,881	433,694		-	1	23,013	CAU,CC
Total business-type activities	27,13	27,132,050	21,011,412		7,749,367	7	1,628,729	1,628,729
Total primary government	\$ 116,062,283	2,283 S	34,456,180	\$ 25,986,614	14 \$ 11,866,439	(45,381,779)	1,628,729	(43,753,050)
	1000000							
	General revenues:	enues.	in fore and the			40 302.810	•	40,302,810
	Property	raxes, revit	Property laxes, levied for general purposes	cacodi		186 500	•	186,500
	rayment	Payment in iteu of taxes	axes			4 3 58 409	,	4,358,409
	Excise taxes	XCS				265.598	•	265,598
	ranchise ices			Ų	į			
	Grants and	contribution	us not restricted	Grants and contributions not restricted to specific programs:	IMS:	001 017		748 180
	Homeste	Homestead exemption	on			/40,100	•	72.034
	Other State aid	te aid				72,034		100,22
	State Rev	State Revenue Sharing	ä			3,717,717		3,717,717
	Intestricted investment earnings	investner	ot camings			519,225	895,064	1,414,289
	Indicate and charge	t observes				472,056	•	472,056
	Address to	· vilatiges	3			8,353	•	8,353
	Miscellaneous revenues	ous revenue	v:			(837,806)	837,806	•
	Total	en ressenting	Total general reseaute and transfers			49,763,076	1	51,495,946
	i Ordi Kend	1000	Concern and Co			100 100		AP8 C&T 7
		O	Change in net assets	. sp		4,381,297	445,105,5	1,144,070
	Net assets,	eginning (Net assets, beginning of year - Restated Note F	I Note F		22,115,683	169,314,823	191,430,506
								400 173 103
						(C) \(C) \(C)		

CITY OF BANGOR, MAINE Balance Sheet Governmental Funds June 30, 2005

	General	De	ommunity velopment ock Grant		Capital Projects Fund	Go	Other vernmental Funds	Go	Total vernmental Funds
ASSETS									
Assets:									
Cash \$		\$	212,871	\$	_	\$	-	\$	212,871
Investments	8,715,652		-		_		2,751,526		11,467,178
Receivables:									
Taxes	2,039,149		_		_		-		2,039,149
Accounts (net of allowance of \$268,611)	880,165		_		-		160		880,325
Interfund loans	3,976,594		413,184		-		378,582		4,768,360
Intergovernmental	1,673,034		89,918		3,336,236		309,955		5,409,143
Loan (net of allowance of \$130,131)	1,210,892		3,542,152		_		1,015,628		5,768,672
Deferred special assessments	-		-		30,130		-		30,130
Inventory, at cost	605,286		-		-		-		605,286
Investment of unexpended bond proceeds	•		-		5,088,827		_		5,088,827
Prepaid items	42,948		1,173		_				44,121
Total assets \$	19,143,720	\$	4,259,298	\$	8,455,193	s	4,455,851	\$	36,314,062
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 770,351	\$	7,792	\$	902,774	\$	7,021	\$	1,687,938
Accrued wages and benefits payable	3,400,475		-		-		-		3,400,475
Interfund loans payable	-		-		2,254,438		565,567		2,820,005
Unearned revenues	1,869,225		3,542,152		-		988,371		6,399,748
Due to rehabilitation recipients	-		703,777		-		-		703,777
Interfund advance	-		-		-				-
Total liabilities	6,040,051		4,253,721		3,157,212		1,560,959		15,011,943
Fund balances:									
Reserved for:									
Encumbrances	951,462		56,806		1,639,027		16,998		2,664,293
Prepaid items	42,948		-		-		-		42,948
Advances to other funds	1,432,689		-		-		-		1,432,689
Loans	-		-		-		131,759		131,759
Nonexpendable trust principal	-		-		-		513,851		513,85
Unreserved:									
Designated (Note J)	4,524,375		-		-		-		4,524,37
Undesignated, reported in:									
General fund	6,152,195				-				6,152,19
Special revenue funds	•		(51,229))	-		1,861,976		1,810,747
Capital projects funds	-		-		3,658,954		-		3,658,95
Permanent funds Total fund balances	13,103,669		5,577	,	5 207 091		370,308		370,30
					5,297,981		2,894,892	-	21,302,119
Total liabilities and fund balances \$	19,143,720	<u> </u>	4,259,298	\$	8,455,193	\$	4,455,851	-	
Amounts reported for governmental activ									
Capital assets used in governmental	l activities are not	finan	cial resources	and	l, therefore, are i	ot			
reported in the funds.									67,242,53
Other long-term assets are not avail	able to pay for cu	rrent-	period expend	itur	e and, therefore	,			
are deferred in the funds.									1,808,74
Long-term liabilities, including bon	ds payable, are n	ot due	and payable i	n th	e current period				
and, therefore, are not reported in	the funds				-				(63,856,41

CITY OF BANGOR, MAINE

Statement of Revenues, Expenditures and Changes in Fund Baiances

Governmental Funds For the Fiscal Year Ended June 30, 2005

For the Fiscal	Year Ended June	30, 2005						
		Commun	ity	Capital		Other		Total
		Developn	ent	Projects	Go	vernmental	Go	vernmental
	General	Block Gr	ant	Fund		Funds		Funds
Revenues:								
Taxes \$	43,772,131	\$	- \$	-	\$	1,172,407	\$	44,944,538
Intergovernmental	25,265,853		4,838	4,069,072		3,504,475		34,484,238
Licenses and permits	655,745	.,-		, , , , <u>, , , , , , , , , , , , , , , </u>				655,745
Charges for services	11,662,504		-	•		498,069		12,160,573
Program income	-	40:	5,386	_		3,767		409,153
Revenue from use of money and property	1,017,736		6,172	58,104		153,947		1,255,959
Other	37,288		2,549	48,000		80,615		168,452
Total revenues	82,411,257		8,945	4,175,176		5,413,280		94,078,658
Expenditures:								
Current:								
General government	4,732,331		_	_				4,732,331
Public safety	12,352,418		-			_		12,352,418
Health, welfare and recreation	3,865,578		_	-		_		3,865,578
Public buildings and services	8,301,848		-	_		-		8,301,848
Other agencies	3,742,545		_			_		3,742,545
Education	43,887,274			_				43,887,274
Unclassified	2,042,912		_			_		2,042,912
Restricted grants	2,0 72,712	2 13	3,039			5,245,859		7,378,898
Capital outlay	402,139	2,10	-	8,279,633		-		8,681,772
Debt service	1,606,202		_	1,701,282				3,307,484
Total expenditures	80,933,247	2.13	3,039	9,980,915		5,245,859		98,293,060
Total on positional								
Excess (deficiency) of revenues over (under) expenditures	1,478,010	(5	14,094)	(5,805,739	2	167,421		(4,214,402)
Other financing sources (uses):								
General obligation debt	-		-	2,650,000		-		2,650,000
Sale of assets	48,085		-	58,810)	-		106,895
Transfers to other funds	(2,834,443)		-	(3,566)	(293,041))	(3,131,050
Transfers from other funds	47,892		_	2,244,071		1,281		2,293,244
Total other financing sources (uses)	(2,738,466)			4,949,315		(291,760))	1,919,089
Changes in fund balances	(1,260,456)) (:	54,094)	(856,424))	(124,339))	(2,295,313
Fund balances, beginning of year (Restated Note F)	14,364,125	:	59,671	6,154,405	5	3,019,231		23,597,432
Fund balances, end of year \$	13,103,669	s	5,577			2,894,892		21,302,119
and banners, end or jent	10,500,000	<u> </u>				ing notes to fir		

CITY OF BANGOR, MAINE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2005

Net change in fund balances - total governmental funds (from Exhibit 4)	\$	(2,295,313)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets		
is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$7,361,595 exceeded		
depreciation expense of \$2,399,628 in the current period.		4,961,967
depreciation expense of \$2,333,026 in the current period.		1,,,01,,,07
Revenues in the statement of activities that do not provide		
current financial resources are not reported as revenues in		
the funds.		62,324
Bond proceeds and certain capital leases provide current financial		
resources to governmental funds, but issuing debt increases long-term	t .	
liabilities in the statement of net assets. Repayment of bond		
principal is an expenditure in the governmental funds, but the		
repayment reduces long-term liabilities in the statement of net		
assets. This is the amount by which repayments of \$4,113,741		
exceeded proceeds of \$2,650,000.		1,463,741
Some expenses reported in the statement of activities do not require		
the use of current financial resources and, therefore, are not reported		
as expenditures in governmental funds.		188,578
Change in net assets of governmental activities (see Exhibit 2)	\$	4,381,297

CITY OF BANGOR, MAINE Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

General Fund For the Fiscal Year Ended June 30, 2005

			-	Variance with Final Budget
	Budgeted :	amounts		Positive
1-4	Original	Final	Actual	(Negative)
devenues:				
Taxes \$	43,592,898	\$ 43,592,898	\$ 43,772,131	\$ 179,233
Intergovernmental	20,355,086	20,492,527	21,560,713	1,068,186
Licenses and permits	409,450	409,450	655,745	246,295
Charges for services				
municipal	6,313,378	6,313,378	6,886,047	572,669
school	4,618,982	4,618,982	4,549,286	(69,696)
Fines, forfeits and penalties	21,300	21,300	37,288	15,988
Revenue from use of money and property				
municipal	693,251	693,251	594,813	(98,438)
school	-	-	-	-
Total revenues	76,004,345	76,141,786	78,056,023	1,914,237
Expenditures:				
Current:				
General government	4,036,515	4,072,015	4,047,665	24,350
Public safety	12,371,707	12,371,707	12,470,787	(99,080
Health, welfare and recreation	3,329,673	3,330,673	3,865,578	(534,905
Public buildings and services	8,028,809	8,165,250	8,300,731	(135,481
Other agencies	3,745,594	3,745,594	3,742,545	3,049
Education	40,746,213	43,358,296	40,328,847	3,029,449
Debt service	1,614,009	1,614,009	1,611,606	2,403
Unclassified	2,182,434	2,182,434	2,037,508	144,926
Total expenditures	76,054,954	78,839,978	76,405,267	2,434,711
Excess (deficiency) of revenues over expenditures	(50,609)	(2,698,192)	1,650,756	4,348,948
Other financing sources (uses):				
Appropriaton from designated fund balance	1,221,834	1,221,834	1,097,652	
Appropriation from undesignated fund balance	1,239,773	1,239,773	-	(1,239,773
Appropriation to designated fund balance	(50,000)			
Sale of assets	11,000	11,000	38,488	
Transfers to other funds	(1,679,208)	• • • • •		
Transfers from other funds	48,000	48,000	40,526	(7,474
Operating transfers	(740,790)	(740,790)	(740,790	
Total other financing sources (uses)	50,609	49,109	(1,294,832) (1,343,94
Net change in fund balance	\$ -	\$ (2,649,083)	355,924	\$ 3,005,00
Undesignated fund balance, beginning of year			5,922,307	,
Change in balances carried			(126,036	
Undesignated fund balance, end of year			\$ 6,152,195	•

CITY OF BANGOR, MAINE Statement of Net Assets **Proprietary Funds** June 30, 2005

Business-type Activities	- Enter	prise .	Funds

	Bus	iness-type Ac	tivities - Ent	erprise Fu	nds			
	Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Totals Current year
ASSETS								
Current assets								
Cash	\$ 35,165	96,384	2,492 \$	•	53,309			
Investments	2,525,642	8,795,151	•	304,786	-	839,882	357,505	12,822,966
Accounts receivable	1,353,396	2,878,906	•	2,542	131,154	-	•	4,365,998
Less allowance for uncollectible accounts	(22,601)	(366,390)		<u> </u>	(27,110)		-	(416,101)
Net accounts receivable	1,330,795	2,512,516		2,542	104,044		-	3,949,897
Due from other governments	•	1,282,233	-	-	•	-	•	1,282,233
Due from water district	292,935	-	•	-	•	-	•	292,935
Inventories, at cost	•	77,736	•	-	13,248	-	-	90,984
Prepaid items	38,880	33,575	- <u>-</u>		27,071		<u> </u>	99,526
Total current assets	4,223,417	12,797,595	2,492	318,663	197,672	856,124	358,033	18,753,996
Noncurrent assets								
Capital Assets								
Land and improvements	683,865	-	295,025	-	828,921	1,431,040	1,440,071	4,678,922
Buildings and improvements	27,539,270	-	1,933,061	-	5,587,727	238,408	3,600,785	38,899,251
Machinery and equipment	5,066,813	-	22,952	•	144,428	287,583	•	5,521,776
Infrastructure	50,245,044	-	-	•	-	-	•	50,245,044
Aircraft operational assets	-	215,743,709	-	•	-	•	-	215,743,709
Parking structures	-	•	-	9,968,268	-	•	-	9,968,268
Construction in process	2,702,036	4,091,640		-			1,290,350	8,084,026
	86,237,028	219,835,349	2,251,038	9,968,268	6,561,076	1,957,031	6,331,206	333,140,996
Less accumulated depreciation	(26,937,978)	(101,642,387)	(919,701)	(5,617,947)	(4,895,516)	(1,080,130)	(469,291)	(141,562,950
Net capital assets	59,299,050	118,192,962	1,331,337	4,350,321	1,665,560	876,901	5,861,915	191,578,046
Investments	•	12,190,274	-	-	•	•	•	12,190,274
Loans receivable	-	2,218,748	-	-	-	-	124,758	2,343,50
Deferred special assessments	88,700		-	•	-	-	-	88,70
Investment of unexpended bond proceeds	-	-	-	119,298	-	-	-	119,29
Due from bond trustee	1,453,791	-	•	-	-	•	-	1,453,79
Deposits	-	-	15,000	•	-	-	-	15,00
Bond issuance costs (net of accumulated								
amortization of \$290,542)	124,520		-	-	-	-	-	124,52
Total assets	65,189,478	145,399,579	1,348,829	4,788,282	1,863,232	1,733,025	6,344,706	226,667,13

CITY OF BANGOR, MAINE

Statement of Net Assets

Proprietary Funds June 30, 2005

	Busin	iess-type Acti	vities - Ent	erprise Func	ds			
	Sewer Utility	Airport	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Totals Current year
	Fund	Fund	woods	Pubu	1 400			
LIABILITIES								
Current liabilities	402.250	2 460 706	25,999	5,536	21,095	29,122	591,232	3,627,032
Accounts payable	493,252	2,460,796	•	5,998	22,457	15,740	-	263,947
Accrued wages and benefits payable	40,808	176,894	2,050	•		•	33,144	399,293
Accrued interest	245,564	57,759	-	42,911	19,915	-	33,144	129,036
Workers' compensation	15,101	106,153	-	3,040	4,742	-	•	·
Unearned revenue	-	-	•	42,401	24,663	-	•	67,064
Interfund loans	-	•	80,000	-	1,651,355	-	217,000	1,948,355
General obligation debt payable	2,680,361	480,342	-	456,878	125,745	864	98,659	3,842,849
Deferred amount on refunding	(24,560)	-	-	(21,649)	-	-	-	(46,209)
Other liabilities	-	551	2,000	•	<u> </u>			2,551
Total current liabilities	3,450,526	3,282,495	110,049	535,115	1,869,972	45,726	940,035	10,233,918
Long-term liabilities								
Workers' compensation	74,899	69,746	-	6,960	5,258	•	-	156,863
General obligation debt payable	26,019,973	8,523,365	•	4,456,768	1,530,380	92,647	2,308,098	42,931,231
Deferred amount on refunding	(53,098)	•	_	(53,263)	-	-	-	(106,361)
Accrued compensated absences	45,234	188,186	10,558	6,165	23,251	8,416	-	281,810
Other long-term liabilities	285,902	-	193,061	14,285	-		<u>-</u>	493,248
Total long-term liabilities	26,372,910	8,781,297	203,619	4,430,915	1,558,889	101,063	2,308,098	43,756,791
Total liabilities	29,823,436	12,063,792	313,668	4,966,030	3,428,861	146,789	3,248,133	53,990,709
TAME INCOMING								
NET ASSETS								
Invested in capital assets, net of related debt	31,626,600	113,012,962	1,331,337	69,650	479,055	876,901	3,455,158	150,851,663
Unrestricted	3,739,442	20,322,825	(296,176)	(247,398)	(2,044,684)	709,335	(358,585)	21,824,759
Total net assets	\$ 35,366,042	5 133,335,787	\$ 1,035,161	\$ (177,748)	\$ (1,565,629)	\$ 1,586,236	\$ 3,096,573	5 172,676,422

CITY OF BANGOR, MAINE

Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2005

		Business-type						
	Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Totals Current year
Operating revenues								
Charges for services	\$ 5,970,615 \$	11,489,194 \$	310,389	\$ 943,990 \$	1,238,707	\$ 586,956	\$ 304,470 S	20,844,321
Operating expenses								
Operating expenses other than								
depreciation and amortization	3,195,199	9,720,828	509,731	708,578	1,676,957	488,048	190,840	16,490,181
Depreciation and amortization	1,639,128	6,300,680	89,123	478,381	137,496	98,507	110,895	8,854,210
Total operating expenses	4,834,327	16,021,508	598,854	1,186,959	1,814,453	586,555	301,735	25,344,391
Operating income (loss)	1,136,288	(4,532,314)	(288,465)	(242,969)	(575,746)	401	2,735	(4,500,070)
Nonoperating revenue (expenses)								
Interest income	64,522	874,330	32	5,557	24	15,272	14,237	973,974
Unrealized loss on investments	-	(78,910)	-	-	*	-	-	(78,910)
Interest expense	(1,025,261)	(347,173)	-	(237,463)	(74,762)	(5,768)	(96,146)	(1,786,573)
Grants/contributions received for capital assets	-	7,749,367	-	-	-	-	-	7,749,367
Miscellaneous income (expense)		37,867		(1,086)	-		129,224	166,005
Total nonoperating revenue (expenses)	(960,739)	8,235,481	32	(232,992)	(74,738)	9,504	47,315	7,023,863
Net income (loss) before operating transfers	175,549	3,703,167	(288,433)	(475,961)	(650,484)	9,905	50,050	2,523,793
Transfers to other funds	(100,000)			(10,849)	-	(5,292)		(116,141)
Transfers from other funds	1,500		164,801	314,006	473,640	-		953,947
Change in net assets	77,049	3,703,167	(123,632)	(172,804)	(176,844)	4,613	50,050	3,361,599
Net Assets, beginning of year (Restated Note F)	35,288,993	129,632,620	1,158,793	(4,944)	(1,388,785)	1,581,623	3,046,523	169,314,823
Net Assets, end of year	\$ 35,366,042	133,335,787	\$ 1,035,161	\$ (177,748) \$	(1,565,629)	\$ 1,586,236	\$ 3,096,573	\$ 172,676,422

CITY OF BANGOR, MAINE Statement of Cash Flows - Proprietary Funds For the Fiscal Year Ended June 30, 2005

Business-type Activities - Enterprise Funds

	Sewer				Bass	Municipal	Economic	
	Utility	Airport	Park	Parking	Park	Golf	Development	
	Fund	Fund	Woods	Fund	Fund	Course	Fund	Total
Cash flows from operating activities								
Cash received from customers	\$ 6,027,250 \$		•	937,228 \$	1,161,635	\$ 586,956	\$ 304,470 \$	24,378,490
Cash paid to suppliers for goods and services	(2,122,246)	(3,077,458)	(431,749)	(594,988)	(917,386)	(212,820)	(226,256)	(7,582,903)
Cash paid to employees for services	(1,143,359)	(4,834,270)	(71,162)	(186,096)	(766,377)	(275,063)		(7,276,327)
Net cash provided by (used in) operating								
activities	2,761,645	7,138,834	(192,522)	156,144	(522,128)	99,073	78,214	9,519,260
Cash flows from noncapital financing activities								
Interfund loans (repayments)	-	(25,477)	28,000	-	287,000	•	(91,000)	198,523
Transfers in	1,500	-	164,801	314,006	473,640	•	•	953,947
Transfers out	(100,000)		-	(10,849)		(5,292)		(116,141)
Net cash provided by (used in) noncapital								
financing activities	(98,500)	(25,477)	192,801	303,157	760,640	(5,292)	(91,000)	1,036,329
Cash flows from capital and related financing activities					•			
Proceeds from general obligation bonds	2,650,000	2,315,000	-	~	-		950,000	5,915,000
Acquisition and construction of capital assets	(1,775,235)	(11,480,606)	•	•		(25,518)	(648,015)	(13,929,374
Principal paid on general obligation bonds	(4,602,629)	(346,474)	•	(2,067,262)	(122,462)	(647)	4,164	(7,135,310
Interest paid on general obligation bonds	(1,055,405)	(334,808)		(251,698)	(76,454)	(5,768)	(91,323)	(1,815,456
Proceeds from sale of equipment	-	60,428		_	-		129,224	189,652
Grant monies received for capital assets	-	5,701,972	-	=	-	-	-	5,701,972
Investment of unexpended bond proceeds	(1,208,098)	-	-	1,748,579		-	•	540,481
Net cash provided by (used in) capital and related								
financing activities	(5,991,367)	(4,084,488)	-	(570,381)	(198,916)	(31,933)	344,050	(10,533,035
Cash flows from investing activities								
Net sales (purchases) of investments	2,661,957	(3,768,747)	•	(78,611)	1,510	(175,633)	(357,505)	(1,717,029
Interest on investments	68,054	795,420	32	6,225	24	15,272	14,238	899,265
Loan repayments	-	10,531		-	-	-	4,900	15,431
Net cash provided by (used in) investing activities	2,730,011	(2,962,796)	32	(72,386)	1,534	(160,361)	(338,367)	(802,333
Net increase (decrease) in cash	(598,211)	66,073	311	(183,466)	41,130	(98,513)	(7,103)	(779,779
Cash, beginning of year	633,376	30,311	2,181	194,801	12,179	114,755	7,631	995,234
Cash, end of year	\$ 35,165	\$ 96,384	\$ 2,492	\$ 11,335	,	\$ 16,242	· · · · · · · · · · · · · · · · · · ·	21

Schedule of noncash investing, capital and financing activities:

During the year, the Airport Fund had an unrealized loss on investments in the amount of \$78,910.

CITY OF BANGOR, MAINE Statement of Cash Flows - Proprietary Funds For the Fiscal Year Ended June 30, 2005

Business-type Activities - Enterprise Funds									
		Sewer Utility Fund	Airport Fund	Park Woods	Parking Fund	Bass Park Fund	Municipal Golf Course	Economic Development Fund	Total
Reconciliation of operating income (loss) to net eash provided by (used in) operating activities									
Cash provided by (used iii) operating activities									
Operating income (loss)	s	1,136,288	\$ (4,532,314)	\$ (288,465)	\$ (242,969) \$	(575,746)	\$ 401	\$ 2,735 \$	(4,500,070)
Adjustments to reconcile operating income (loss) to net each provided by (used in) operating activities									
Depreciation and amortization		1,639,128	6,300,680	89,123	478,381	137,496	98,507	110,895	8,854,210
Provision for uncollectible accounts		-	36,637	-	-	٠	-	•	36,637
Changes in assets and liabilities:									
(Increase) decrease in accounts receivable		185,025	3,561,369	-	(846)	(38,836)	•	-	3,706,712
(Increase) decrease in due from water district		(128,390)	•	٠	•	-	-	-	(128,390
(Increase) decrease in inventories		•	(7,106)	-	•	(66)	-	-	(7,172
(Increase) decrease in prepaid items		(33,075)	(9,966)	-	•	9	-	-	(43,032
Increase (decrease) in accounts payable		(22,934)	1,804,781	3,296	(72,248)	(9,937)	6,551	(35,416)	1,674,093
Increase (decrease) in uncarned revenue		-	•	-	(5,916)	(38,236)	-	-	(44,152
Increase (decrease) in other current liabilities		(14,397)	(15,247)	3,524	(258)	3,188	(6,386)		(29,576
Total adjustments		1,625,357	11,671,148	95,943	399,113	53,618	98,672	75,479	14,019,330

CITY OF BANGOR, MAINE

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2005

	Agency Fund
ASSETS	
Cash	\$ 145,769
Total assets	\$ 145,769
LIABILITIES	
Liabilities:	
Amounts held for others	\$ 145,769
Total liabilities	\$ 145,769

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INDEX OF NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

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CITY OF BANGOR, MAINE Notes to Basic Financial Statements June 30, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bangor was incorporated under the laws of the State of Maine in 1834 and operates under a council/manager form of government. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criteria used to determine which entities, agencies, commissions, boards and authorities are part of the City's operations include how the budget is adopted, whether debt is secured by general obligation of the City, the City's duty to cover any deficits that may occur, and supervision over the accounting functions. Based upon all pertinent facts derived from the analysis of the above criteria, it was determined that no additional entities should be included as part of these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Community Development Block Grant Fund accounts for federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the development of viable urban communities.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or fiduciary funds.

The City reports the following major proprietary funds:

The Sewer Utility fund accounts for the costs of construction and operation of the sewage treatment plant, the City sewer system, and sewer operation activities, and is self-supported through sewer user fees.

The Airport Fund accounts for the operation of Bangor International Airport. The principal sources of revenues are landing fees and the sale of aviation fuel. Other revenue sources include lease payments for the use of terminal space and non-aviation industrial buildings.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Park Woods Fund accounts for the rental of 60 units of surplus housing received from the federal government pursuant to the McKinney Homeless Assistance Act. The principal source of revenue is rental income.

The Parking Fund accounts for the operation of the City-owned parking lots and the Pickering Square garage. Revenue sources include monthly lease payments for parking spaces, hourly/daily parking fees and fines and waiver fees for parking violations. Certain of these facilities are operated under a private management contract.

The Bass Park Fund accounts for the operation of the Bangor auditorium, Bangor Civic Center, and Bangor State Fair. Principal sources of revenue are admissions, concession sales and rentals. The facility is named after the Bass family, which bequeathed the property to the City for recreational purposes.

The Municipal Golf Course Fund accounts for the operation of a 27 hole municipal golf course. Principal revenue sources are season memberships and daily greens fees.

The Economic Development Fund accounts for the operation and development of properties acquired by the City. Its purpose is to promote economic growth within the City. The principal source of revenue is rental income.

Additionally, the City reports the following fund type:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the City holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's public services function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

State statutes authorize the City to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements. City policy prohibits the investment in so-called "derivative instruments".

Investments are reported at fair value. Income earned from the investment of pooled cash is allocated to various funds based upon the average cash balance allocated to the fund.

2. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund loans" (i.e. current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption and are valued at cost. Under the consumption method, the costs of inventory items are recognized as expenditures/expenses when

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

used. The consumption method does not require a reserve for inventory and the City has chosen not to have such a reserve.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 for machinery/equipment/vehicles, \$25,000 for land/buildings and improvements and \$100,000 for infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the assets' estimated useful lives.

The range of useful lives used to compute depreciation are as follows:

Buildings	25 - 50 years
Equipment	5 - 20 years
Infrastructure	10 - 50 years
Aircraft Operational	5 - 40 years
Parking Structures	10 - 20 years

5. Compensated Absences

Accumulated vacation or compensatory time or vested sick leave of governmental funds that is expected to be liquidated with expendable available resources is reported as an expenditure in respective fund financial statements only if the liability is expected to be paid shortly after year end. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements. Accumulated leave of Enterprise Funds is recorded as an expense and liability of the respective fund as the benefits accrue to employees. No liability is recorded for non-accumulating rights to receive sick pay benefits.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

8. Allowance for Uncollectible Accounts and Loans

Allowances for uncollectible accounts are maintained for all types of receivables, which historically experience uncollectible accounts. Allowances for uncollectible loans are established when the City determines its ability to collect the outstanding loan balance has been impaired.

9. Use of Estimates

Preparation of the City's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditure's during the reporting period. Actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are prepared on a modified accrual basis of accounting, with the exception of depreciation within the enterprise funds. Budgets for the General Fund and enterprise funds are formally adopted each year through the passage of an appropriation resolve. Budgets for special revenue and capital projects funds have adopted project-length budgets. Unencumbered appropriations lapse at fiscal year end.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is employed in governmental funds. Encumbrances (i.e., purchase orders, contracts, and other commitments) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments have not be honored in the current year. For budgetary purposes, encumbrances are treated as expenditures within both governmental and proprietary fund types.

On or before the second Monday in April, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year. The Council holds public meetings and a final budget must be prepared and adopted no later than June 30th. Should the Council fail to adopt an operating budget on or before June 30th, by Charter, the budget proposed by the City Manager becomes effective.

The budget is adopted at the department level through the passage of appropriation resolves. The City Manager may make transfers of appropriations within a department. Transfers between departments or additional appropriations require the approval of the City Council. The City Council made several supplementary budgetary appropriations throughout the year, none were material.

B. Reconciliation of Budgetary Basis Statements

The following schedule reconciles the General Fund amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—Budgetary Basis to the amounts on the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Funds:

Deficiency of revenues over expenditures and	
other financing sources and uses (Budget)	\$ 355,924
Activity in designated fund balance	(1,433,524)
2005 encumbrances	937,062
2004 encumbrances lapsed	(8,231)
2004 encumbrances paid	(1,111,687)
Excess of revenues and other financing sources over	 ,
expenditures and other uses (GAAP)	\$ (1,260,456)
•	

The following schedule reconciles the amounts on the enterprise funds' Schedules of Revenues, Expenditures and Encumbrances—Budget and Actual—Budgetary Basis to the amount on the Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances:

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONTINUED

Excess (deficiency) of revenues over expenditures and encumbrances:		
Sewer	\$	(4,271,272)
Airport	*	(143,650)
Park Woods		(17,429)
Parking		(2,241,020)
Bass Park		(264,350)
Municipal Golf Course		`(20,837)
Economic Development		<u>45,853</u>
Economic Development		(6,912,705)
Nonoperating revenues classification		(1,876,102)
Investments at market value		(155,731)
Capital outlay		246,947
Capital projects		(161,336)
Cash basis to accrual basis adjustments		(49,200)
Contributed capital depreciation		(4,783,547)
Principal payments		7,143,638
2004 encumbrances		181,031
2003 encumbrances		(65,394)
Nonoperating expenses classification		1,932,329
Operating loss		\$ <u>(4,500,070</u>)

C. Excess of Expenditures Over Appropriations

The following General Fund departments were over-expended by the indicated dollar amounts; Council \$1,778, Executive \$11,087, City Clerk \$ 18,529, Assessing \$3,698, Insurance \$5,210, Fire \$129,499, Health and welfare \$469,570, Parks and recreation \$65,335, Public buildings and services \$135,481. These over-expenditures were funded by receipt of revenues in excess of appropriation and underexpenditures within other General Fund departments.

The Airport and Economic Development Funds were over-expended on a departmental basis by \$701,180 and \$82,360, respectively. These over-expenditures were funded by receipt of revenues in excess of appropriations. The Sewer and Parking Funds were over-expended on a departmental basis by \$2,112,648 and \$1,740,133, respectively primarily due to the timing of a payment associated with the retirement of previously issued general obligation bonds. The Park Woods and Bass Park Funds were over-expended on a departmental basis by \$23,986 and \$98,998 respectively, but were reasonable based upon the expected deficiencies within each fund.

D. Deficit Fund Equity

The Bass Park Enterprise Fund has a deficit fund equity of \$1,565,629. The City Council has determined that the facility will either be closed or replaced in the near future.

It is anticipated that the Parking Fund deficit of \$177,748 is temporary and will reverse itself in the upcoming year.

DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains a cash pool that is available for use by all funds. In addition, cash and investments are separately held by several of the funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a policy with respect to custodial credit risk for deposit accounts. The City does maintain insurance coverage to protect up to \$2,000,000 of deposits in addition to the \$100,000 provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2005, \$655,207 of the City's bank balances were exposed to custodial credit risk.

At June 30, 2005, the City had the following investments and maturies:

		Maturity (years)			
Fair Value	Not Applicable	<1	1-5	6-10	
\$ 17,524,824	\$ 17,524,824	\$ -	\$ -	\$ -	
		7 ,640,180	14,739,256	980,516	
727,641	727,641	-	•	-	
50,000	50,000	-	50,000	-	
30,547	30,547	*			
\$ 41,662,964	\$ 18,333,012	\$ 7,640,180	\$ 14,789,256	\$ 980,516	
	\$ 17,524,824 23,329,952 727,641 50,000 30,547	\$ 17,524,824 23,329,952 727,641 50,000 5 30,547 \$ \$17,524,824 727,641 727,641 50,000 50,000	Fair Value Not Applicable <1 \$ 17,524,824 \$ 17,524,824 \$ - 23,329,952 - 7,640,180 727,641 - - 50,000 50,000 - 30,547 30,547 -	\$ 17,524,824 \$ 17,524,824 \$ - \$ - 23,329,952 - 7,640,180 14,739,256 727,641 727,641 - 50,000 50,000 - 50,000 30,547 30,547	

Interest Rate Risk

The City's Investment Policy requires that, to the extent possible, the City will attempt to match investments with anticipated cash requirements. Unless matched to a specific cash flow, the City is not allowed to directly invest in securities maturing more than three years from the date of purchase.

Credit Risk

Maine statutes authorize the City to invest in obligations of the U.S. Treasury and U.S agencies, repurchase agreements and certain corporate stocks and bonds. As of June 30, 2005, the City's investment in equities were rated by Moody's as follows:

Investment type	<u>Rating</u>	Fair Value
US Treasuries	Aaa	\$ 20,599,338

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. As of June 30, 2005, the City had no investments that were subject to custodial risk. The City's investment policy states that all security transactions, including collateral for repurchase agreements, entered into by the City shall be conducted on a "delivery vs. payment" basis. Securities will be held by a third party custodian, or Trust Department, designated by the Treasurer and evidenced by safekeeping receipts.

DETAILED NOTES ON ALL FUNDS, CONTINUED

Concentration of Credit Risk

The City's Investment Policy states that the City will diversify its investments by security type and institution. No more than 40% of the City's total investment portfolio will be invested in any combination of commercial paper and time certificates of deposit.

B. Property Tax

Property taxes for the current year were levied July 8, 2004, on the assessed value listed as of the prior April 1 for all real and personal property located in the City. Assessed values are periodically established by the City's Assessor at 100% of assumed market value. Taxes were due in two installments: September 15, 2004 and March 15, 2005. Interest was charged at 6.50% on all taxes unpaid as of the due date.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred revenues. Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The City has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remain unpaid.

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C. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

		Balance			Balance
		June 30,			June 30,
		<u>2004</u>	Increases	Decreases	<u>2005</u>
Governmental activities:		<u> </u>			
Capital assets, not being depreciated:					
Land	\$	5,040,548	-	-	5,040,548
Construction in progress	· · ·	13,952,891	6,959,446	7,139,515	13,772,822
Total capital assets, not being depreciated		18,993,439	6,959,446	7,139,515	18,813,370
Capital assets, being depreciated:					
Land improvements		1,873,395	-	*	1,873,395
Buildings and improvements		46,828,230	1,237,734	-	48,065,964
Machinery and equipment		6,338,481	1,405,813	-	7,744,294
Vehicles		9,513,024	1,302,490	746,710	10,068,804
Infrastructure		11,517,457	3,595,627	-	15,113,08 <u>4</u>
Total capital assets being depreciated		76,070,587	7,541,664	746,710	82,865,541
Less accumulated depreciation for:					
Land improvements		(1,170,236)	(62,377)	-	(1,232,613)
Buildings and improvements		(15,371,009)	(924,706)	-	(16,295,715)
Machinery and equipment		(3,315,289)	(435,456)	-	(3,750,745)
Vehicles		(5,289,977)	(638,582)	(648, 168)	(5,280,391)
Infrastructure		(7,538,408)	(338,507)		(7,876,915)
Total accumulated depreciation		(32,684,919)	(2,399,628)	(648,168)	(34,436,379)
•		•			
Total capital assets being depreciated, net		43,385,668	5,142,036	98,542	48,429,162

Governmental activities capital assets, net \$62,379,107 12,101,482 7,238,057 67,242,532

		Balance			Balance
		June 30,			June 30,
		<u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u> 2005</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land (Restated)	\$	2,594,307	-	18,471	2,575,83
Construction in progress		6,270,512	7,770,340	5,956,826	8,084,02
Total capital assets, not being depreciated	·····	8,864,819	7,770,340	5,975,297	10,659,86
Business-type activities:					
Capital assets, being depreciated:					
Land improvements		2,103,086	-	-	2,103,08
Buildings and improvements		38,846,605	52,646	-	38,899,25
Machinery and equipment		5,414,481	107,295	_	5,521,77
Infrastructure		44,887,061	5,357,983	*	50,245,04
Airport operational assets (Restated)		209,292,043	6,474,227	22,561	215,743,70
Parking structures		9,968,268		<u> </u>	9,968,2
Total capital assets being depreciated		310,511,544	11,992,151	22,561	322,481,13
Less accumulated depreciation for:				•	
Land improvements		(786,441)	(86,415)	-	(872,8
Buildings and improvements		(21,161,571)	(1,225,537)	-	(22,387,1
Machinery and equipment		(2,938,736)	(266,783)	-	(3,205,5
Infrastructure		(7,361,472)	(475,661)	-	(7,837,1
Aircraft operational assets		(95,341,708)	(6,300,679)	+	(101,642,3
Parking structures		(5,139,566)	(478,381)	-	(5,617,9
Total accumulated depreciation		(132,729,494)	(8,833,456)	-	(141,562,9
Total capital assets being depreciated, net		177,782,050	3,158,695	22,561	180,918,1
Business-type activities capital assets, net	\$1	86 646 869	10.929.035	5 997 858	191 578 0
Business-type activities capital assets, net					191,578,04
					<u>191,578,0</u>
preciation expense was charged to functions/progran				lows:	
preciation expense was charged to functions/progran Governmental activities: General government				lows: \$ 646,861	Ĺ
epreciation expense was charged to functions/progran Sovernmental activities: General government Public safety				lows: \$ 646,861 292,352	L 2
epreciation expense was charged to functions/progran Governmental activities: General government Public safety Health, welfare and recreation				\$ 646,861 292,352 178,640	i 2
epreciation expense was charged to functions/program Governmental activities: General government Public safety Health, welfare and recreation Public building and services				\$ 646,861 292,352 178,640 448,932	i 2)
epreciation expense was charged to functions/progran Governmental activities: General government Public safety Health, welfare and recreation				\$ 646,861 292,352 178,640	i 2)
preciation expense was charged to functions/progran fovernmental activities: General government Public safety Health, welfare and recreation Public building and services	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932	2
epreciation expense was charged to functions/program Governmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843	2
epreciation expense was charged to functions/program Governmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Business-type activities:	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628	
epreciation expense was charged to functions/program Governmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Business-type activities: Sewer Utility Fund	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628 \$1,618,374	1 2 3 3
epreciation expense was charged to functions/program Governmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Business-type activities: Sewer Utility Fund Airport Fund	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628 \$1,618,374 6,300,679	
epreciation expense was charged to functions/program Governmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Susiness-type activities: Sewer Utility Fund Airport Fund Park Woods	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628 \$1,618,374 6,300,679 89,123	1. 2. 3. 3.
epreciation expense was charged to functions/program Sovernmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Susiness-type activities: Sewer Utility Fund Airport Fund Park Woods Parking Fund	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628 \$1,618,374 6,300,679 89,123 478,383	1 2 2 3 3 4 4 9 3 4 L
epreciation expense was charged to functions/program Governmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Business-type activities: Sewer Utility Fund Airport Fund Park Woods Parking Fund Bass Park Fund	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628 \$1,618,374 6,300,679 89,123 478,383 137,496	1 2 2 3 3 4 9 3 3 L 5 5
epreciation expense was charged to functions/program Sovernmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Business-type activities: Sewer Utility Fund Airport Fund Park Woods Parking Fund Bass Park Fund Municipal Golf Course	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628 \$1,618,374 6,300,679 89,123 478,383 137,496 98,508	1 2 2 3 3 4 9 9 3 L 5 3 3
epreciation expense was charged to functions/program Sovernmental activities: General government Public safety Health, welfare and recreation Public building and services Education Total depreciation expense — government Susiness-type activities: Sewer Utility Fund Airport Fund Park Woods Parking Fund Bass Park Fund	ns of t	he primary gov		\$ 646,861 292,352 178,640 448,932 832,843 \$2,399,628 \$1,618,374 6,300,679 89,123 478,383 137,496	1 2 2 3 3 4 9 9 3 L 5 3 3

DETAILED NOTES ON ALL FUNDS, CONTINUED

Construction commitments

The government has active construction projects as of June 30, 2005. The projects include reconstruction of runways, construction of additional infrastructure on the waterfront, continuation of the combined sewer overflow program, and the engineering associated with a new police station.

D. Interfund Transactions

Individual fund interfund receivable and payable transactions are described in the Summary of Significant Accounting Policies Note D. 2. As of June 30, 2005 the balances were as follows:

	<u>Receivable</u>	Pay	<u>able</u>
General Fund	\$ 3,976,594	\$ -	
Community Development Block Grant	413,184	-	
Other HUD Funds	378,582	-	
Capital Fund	·	2,254,	438
Grant Fund	-	288,	378
Other Special Revenue Funds	-	277,	189
Park Woods Fund	•	80,	000
Bass Park Fund	-	1,651,	355
Economic Development	-	217.	
	\$.4.768.360	\$ 4.768.	360

Individual fund transfers to and from other funds for the fiscal year ended June 30, 2005 are comprised primarily of transfers from fund balances to fund capital projects and to provide operating subsidies to certain proprietary funds.

	Transfers to	I ransfer from
General Fund	\$ 2,834,443	\$ 47,892
Special Revenue Funds	227,580	1,269
Capital Projects Fund	3,566	2,244,071
Proprietary Funds	116,141	953,947
Permanent Funds	65,461	12
	\$ 3,247,191	\$ 3,247,191

DETAILED NOTES ON ALL FUNDS, CONTINUED

E. Due From Other Governments

Due from other governments is comprised of the following amounts at June 30, 2005:

	Federal	State of		
	<u>Government</u>	Maine	Other	Total
General Fund	\$ 169,452	\$ 1,185,814	\$ 317,768	\$ 1,673,034
Special Revenue Funds	399,873	•	-	399,873
Capital Projects Fund	2,164,645	1,171,591	-	3,336,236
Proprietary Funds	1,256,643	25,590	_	1,282,233

Of the General Fund's \$1,185,814 due from State of Maine, \$376,000 represents school grant and State agency billings, \$422,918 is due from the Department of Transportation and \$317,753 represents general assistance claims. Amounts due from other communities for tuition reimbursement to Bangor accounts for \$165,000 of the Due from Other in the General Fund.

F. Leases

Operating Leases

The Airport and Economic Development Proprietary Funds are the lessors of various buildings and land parcels under operating leases expiring in various years through 2039 and 2034, respectively. Minimum future rentals to be received on noncancelable leases as of June 30, 2005 are:

Fiscal year ending June 30,	<u>Airport</u>	Economic Development
2006	\$ 2,308,531	\$ 286,316
2007	2,111,139	249,140
2008	2,007,728	213,772
2009	1,135,253	219,289
2010	811,689	224,591
Subsequent to 2010	5,684,840	2,011,871
	\$ 14,059,180	\$ 3,204,979

Minimum future rentals do not include contingent rentals, which may be received as stipulated in the lease contracts. The Airport received \$1,489,561 in contingent rentals in fiscal year 2005.

DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Other Assets

Other assets are comprised of the following:

	Capital Projects Fund	Proprietary Fund
	riojeca i una	runu
Investment of bond proceeds	\$ 5,088,827	\$ 119,298
Due from bond trustee	•	1,453,791
Deposits	-	15,000
Bond issuance costs (net of amortization)	· · · · · · · · · · · · · · · · · · ·	124,520
Total	\$ 5,088,827	\$ 1,712,609

H. Deferred Revenue

General Fund deferred revenue consists of \$1,808,747 in deferred taxes and \$60,478 of advance deposits. Community Development Block Grant and Other Governmental Funds deferred revenue of \$3,542,152 and \$988,371, respectively, represents future revenue equal to loans made pursuant to the Community Development, Urban Development Action Grants and Economic Incentive Revolving Loan Fund. Under the terms of these grants, loans made are recognized as an expenditure in the Special Revenue Fund when they occur. Further, in accordance with regulations governing such funds, the repayments of such loans are considered program income as received and are available to the recipient for additional use within the program. Proprietary Funds deferred revenue of \$67,064 represents advance deposits.

I. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital additions. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds and extinguish an existing retirement liability. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds.

The original amount of general obligation bonds issued is \$135,742,900. The following is a summary of general obligation bond and note transactions of the City for the fiscal year ended June 30, 2005:

Bonds and notes payable at June 30, 2004	\$ 108,873,869
Add: principal additions	8,615,000
Less: principal repayments	11,295,562
Bonds and notes payable at June 30, 2005	\$ 106,193,307

DETAILED NOTES ON ALL FUNDS, CONTINUED

Bonds and notes payable at June 30, 2005 are comprised of the following:

	Fiscal year of maturity	Interest rate	Governmental	activities School	Business-type activities Ju	Total
Long-term debt:	<u>or maturity</u>	rate	City	SCHOOL	activities Ju	ne 30, 2005
Public improvements - 1988	2008	7.37% - 8.60%	\$ -	\$ -	\$ 300,000 \$	300,000
Treatment Plant	2011	7.00% - 7.10%	φ -	4	7,600,000	7,600,000
Combined sewer overflow	2014	2.46%	_	_	838,800	838,800
Combined sewer overflow	2014	2.45%	~	•	•	893,700
Public improvements - 1996	2014	5.05% - 5.85%	400.000	•	893,700	
Combined sewer overflow	2017	3.52%	400,000	=	1 046 720	400,000
Tax increment financing note*	2017	5.52% 6.00% - 6.90%	725,000	-	1,946,720	1,946,720
5			735,000	-	-	735,000
Public improvements – 1996	2017	5.35% - 6.50%	1,045,000	•	4 744 745	1,045,000
Combined sewer overflow	2018	3.03%			1,711,745	1,711,745
Public improvements – 1997	2018	4.875% - 5.3%	2,472,570	2,625,000	1,262,430	6,360,000
Tax increment financing note*	2018	6.19%	231,000	-		231,000
Public improvement – 1999	2019	4.20%	1,191,400	-	1,058,600	2,250,000
Maine Business Enter Park	2018	5.00%	-	-	195,865	195,865
Public improvements – 2000	2020	5.25% - 5.90%	1,190,269	-	1,289,731	2,480,000
Public improvements – 2001	2021	4.25% - 5.00%	1,110,000	195,000	3,500,000	4,805,000
State Revolving Renovation – School	2011	0.00%	-	341,160		341,160
Public improvements note*	2012	6.25%	640,806	-	-	640,806
Public improvements – 2002	2022	3.50% - 4.75%	4,006,000	3,825,000	1,564,000	9,395,000
Pension obligation bonds	2026	3.06% - 6.45%	26,272,067	1,667,114	5,590,819	33,530,000
Refunding bonds	2024	3.06% - 3.47%	635,078	2,760,081	5,094,841	8,490,000
Combined sewer overflow	2023	1.94%		•	2,734,129	2,734,129
State Revolving Renovation - School	2008	0.00%	-	37,412	-,	37,412
Public improvements note*	2012	2.50% - 4.00%	*		233,206	233,206
Tax increment financing note*	2015	2,50% - 4,00%	157,872	_	-	157,872
Briggs Building note	2023	6.50%	,	_	1,210,892	1,210,892
Refunding/public improvements - 2004	2023	2.50% - 4.80%	3,755,750	1,475,650	3,783,600	9,015,000
Combined sewer overflow	2024	1.41%		-, 1, 0,000	2,650,000	2,650,000
Public improvements - 2005	2024	3.50% - 4.30%	2,650,000	-	1,000,000	3,650,000
Airport building sprinklers	2024	3.25% - 5.00%	2,000,000	_	2,315,000	2,315,000
to the angular also makes	2021	3.2070 3.0070			2,515,550	1,010,000

Total bonds and notes payable

\$46,492,812 \$12,926,417 \$46,774,078 \$106,193,307

Annual debt service requirements to maturity for general obligation bonds and notes payable are as follows:

Fiscal year ending		tal Activities	-	Type Activities
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006 2007	\$ 2,748,865 9		\$ 3,842,849	\$ 1,748,494
	2,839,642	3,001,642	3,872,685	1,638,444
2008	2,938,587	2,892,790	3,900,310	1,508,275
2009	3,020,680	2,775,105	3,823,074	1,371,316
2010	2,951,581	2,648,854	3,815,553	1,234,769
2011-2015	14,178,890	11,248,628	13,577,781	4,403,351
2016-2020	13,561,358	7,562,657	7,989,350	2,477,306
2021-2025	14,019,528	3,662,780	5,312,572	913,122
2026-2027	3,160,098	203,828	639,904	41,272
Total	\$59,419,229	\$ 37,094,533	\$ 46,774,078	\$ 15,336,349

^{*} Five series of general obligation notes aggregating \$1,997,884 are held by the City's Airport Fund at fixed, taxable market rates of interest. These notes are structured with a put feature, which, upon certain precedent conditions, allows the Airport to present them for redemption to the City's General Fund. It is management's intention, should a put occur, to fund it by passing the note along to its Sewer Fund, where it will be converted to a three to five year fixed note with level debt service, albeit without a put option.

DETAILED NOTES ON ALL FUNDS, CONTINUED

The City is subject to the laws of the State of Maine, which limits the amount of long-term debt to 15% of the state's assessed valuation of the City. At June 30, 2005, the statutory limit for the City was \$279,202,500. The City's outstanding long-term debt of \$106,193,307 at June 30, 2005 was within the statutory limit.

Advance and Current Refunding

In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2005, \$1,603,900 and \$3,661,1600 of the governmental and business-type activities, respectively, are considered defeased. Within the Proprietary Funds the advance refunding transaction gave rise to a deferred amount on refunding. The deferred amount on refunding is being amortized over the remaining life of the original bonds.

In June 2004, the City issued \$5,470,000 of general obligation bonds for a current refunding of a 1994 issue in the amount of \$5,330,000. The refunding payment occurred in August 2004. The refunding was undertaken to reduce total future debt service payments by \$145,013 over the next 7 years. The final maturity date of the original issue was not extended.

Authorized and Unissued

On April 26, 2004, the City Council authorized the issuance of up to \$7,000,000 in general obligations bonds for the purpose of constructing a new Police Station. As of June 30, 2005, \$2,000,000 remains authorized and unissued. The City expects to begin construction in the fall of 2005 and will issue the remaining bonds on as needed basis throughout the estimated eighteen month construction schedule.

On June 28, 2004, the City Council authorized the issuance of up to \$3,250,000 in general obligation bonds for the purpose of renovating, rehabilitating, reconstructing, improving and upgrading the Grants Building. As of June 30, 2005, \$2,250,000 remains authorized and unissued. The City expects to issue the debt within the next fiscal year. Upon completion of the building, it will be leased to, used by or conveyed to the University of Maine System or an affiliate thereof.

DETAILED NOTES ON ALL FUNDS, CONTINUED

Overlapping Debt

In addition to the bonds and notes payable, the City is contingently responsible for a proportionate share of the following overlapping debt as of June 30, 2005:

<u>Unit</u>	Debt <u>Outstanding</u>	Percentage Applicable to the City	City's Share
General obligation bonds Penobscot County	\$106,193,307 510,000	100.00% 23.47%	\$106,193,307 119,697
	\$106,703,307		\$106,313,004

This results in a ratio of City and overlapping debt to April 1, 2004 assessed valuation of 5.69%.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within one year
Governmental activities:					
General obligation debt	\$ 60,879,479	2,650,000	4,110,250	59,419,229	2,748,865
Obligations under capital leases	+ 00/01 0/ 1/0	2,000,000	1,110,250	55, 115,225	2,7-10,000
(Restated Note F)	3,491	-	3,491	-	_
Accrued compensated absences *	1,814,339	1,136,835	1,047,255	1,903,919	1,068,199
Long-term obligation for self insurance	2,330,629	314,313	651,486	1,993,456	607,890
Governmental activities	\$ 65,027,938	4,101,148	5,812,482	63,316.604	4.424.954
			DJULLI TUL	V3/31V/V04	7,747,247
Business type activities:					
General obligation debt	47,994,390	5,965,000	7,185,310	46,774,080	3,842,849
Accrued compensated absences	268,873	302,931	289,994	281,810	295,794
Long-term obligation for self insurance	285,899	43,232	43,232	285,899	129,036
Deferred amount on refunding	(207,042)	-	(54,472)	(152,570)	(46,209)
Other	489,049	4,199	-	493,248	-
Business type activities					
long-term liabilities	\$ 48,831,169	6,315,362	7,464,064	47.682.467	4.221.470

^{* -} The liquidation of compensated absences is fully covered within the General Fund

DETAILED NOTES ON ALL FUNDS, CONTINUED

J. Fund Balances

Permanent Funds

As of June 30, 2005, the fund balances by purpose were as follows:

	Restricted	Unrestricted
	Nonexpendable	Permanent
	Trust Principal	<u>Funds</u>
Cemetery	\$ 364,715	\$ -
Parks	14,538	96,746
City Missionary	16,511	51,734
Education	44,138	54,899
Aid for Aged Women	43,067	62,588
Other Purposes	30,882	104,341
Total nonmajor permanent funds	\$ 513,851	\$ 370,308

Dedicated Revenue Funds - Special Revenue Funds

As of June 30, 2005, the fund balances by purpose were as follows:

Dental Clinic	\$	106,822
Preservation of Records		125
Adopt a Park		83,913
Park Woods Children		3,654
City Forest		134,940
BFD Imaging		6,721
Park Woods Complex		495,243
USS Maine Monument		12,856
Kenduskeag Stream Trail		4
Skate Park		205
Tricentennial		<u>561</u>
Total dedicated revenue funds	;	\$ 845 <u>,044</u>

DETAILED NOTES ON ALL FUNDS, CONTINUED

Designated Fund Balance

Designated fund balance of the General Fund at June 30, 2005 consists of amounts, which the City intends to use for the following purposes:

OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the City either carries commercial insurance or is self–insured. The City currently reports all of its risk management activities in the General and Proprietary Funds. Claims expenditure, liabilities and reserves are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

OTHER INFORMATION, CONTINUED

The City purchases coverage under a number of commercially available insurance policies such as; commercial general liability, auto, property damage and crime and dishonesty, each with limits and deductibles deemed prudent given the risks, cost of coverage and the City's ability to fund certain types of losses. For those claims covered by commercial insurance, the amount of settlements has not exceeded the coverage for the years ended June 30, 2005, 2004 and 2003. The City is self-insured for its workers' compensation liability. Reserves are actuarially determined each year to assure funding adequacy. In addition, the City purchases excess workers' compensation insurance to limit its financial risk.

At June 30, 2005, the amount of self-insurance liabilities was \$2,279,355. This liability is the City's best estimate based on available information. Changes in the reported liabilities since July 1, 2003 resulted from the following:

illed from the following.	Workers' Compensation	All other self- insured risks	Total
Unpaid claims as of July 1, 2003	\$ 2,771,904	\$ 27,423	\$ 2,799,327
Incurred claims	177,957	•	177,957
Payments	(455,604)	(406)	(456,010)
Changes in estimates and other adjustments	(32,015)	127,269	<u>95,254</u>
Unpaid claims as of July 1, 2004	2,462,242	154,286	2,616,528
Incurred claims	355,797	-	355,797
Payments	(650,232)	(1,254)	(651,486)
Changes in estimates and other adjustments	(96,205)	54,721	(41,484)
Unpaid claims as of June 30, 2005	\$ 2,071,602	\$ 207,753	\$ 2,279,355

B. Tax Increment Financing Districts

The City has established tax increment financing districts, all of which dedicate a portion of the incremental increase in real estate and/or personal property tax revenues over staggered twenty year periods for the following purposes:

<u>B.I.A. Municipal Development District No. 1</u> — Partially financed \$27.5 million dollars of capital expenditures at manufacturing facilities leased by General Electric Company.

<u>Main Street Municipal Development District</u> – Assisted Penobscot Development Limited Liability Company in financing the extraordinary costs of acquisition and environmental remediation of the former Gasworks site on Main Street, ultimately to provide land area necessary for the construction of a 54,000 square foot supermarket in a Community Development project area.

<u>Pickering Square Municipal Development District</u> – Assisted Realty Resources Chartered in a major redevelopment project that converted the former Freese's department store building into affordable housing units.

OTHER INFORMATION, CONTINUED

C. Contingent Liabilities

In February 1998, the City was served Notification of Potential Liability by the Federal Environmental Protection Agency (EPA) in connection with that agency's efforts to clean up a disposal site. The City is among approximately 500 potentially responsible parties. At this time, the group is in the process of implementing the remedy for the off-site area and continue to negotiate with the EPA for the final remedy of the on-site area. The parties hope to have a decision on their technical impracticability waiver by the end of 2005, with implementation in 2006. At this point it is not possible to estimate the cost of designing and implementing the final remedy.

In 2002, the City filed suit against a potentially responsible party to force cleanup of contamination of the Penobscot River bottom due to the inability to reach settlement. The matter is now pending in the U.S. District Court.

The City is a party to various other lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

D. Retirement

The City of Bangor provides retirement pensions for its employees through a number of vehicles, including a defined contribution plan, defined benefit pension plan and social security.

Defined Contribution Plan

<u>Description of the Plan</u> - The City provides pension benefits for certain employees through a 401(a) defined contribution plan administered by ICMA/RC. In addition certain full-time employees are covered through both a 401 (a) and 457 Deferred Compensation Plans (DCP) also administered by ICMA/RC. In a DCP, benefits depend solely on amounts contributed to the plan plus investment earnings. Covered employees are eligible to participate and are fully vested from the date of employment.

<u>Funding Policy</u> – Plan members not covered by employment contracts are required to contribute 6.5% of their annual covered salary and the City is required to contribute either 8% or 10% depending upon the employee's classification. For fiscal year 2005 covered payroll was \$7,993,267 and City contributions were \$685,775. For those plan members that have employment contracts, the City contributes at various rates from 8% - 15% of annual earnings. The covered payroll and City contributions for those employees with employment contracts approximated \$514,960 and \$56,843 respectively, in fiscal year 2005.

Defined Benefit Pension Plan

<u>Description of the Plan</u> — The City contributes to the Maine State Retirement System Consolidated Plan, a cost sharing multiple-employer retirement system established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living

OTHER INFORMATION, CONTINUED

adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained by writing to Maine State Retirement, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

<u>Funding Policy</u> — Plan members are required to contribute 6.5% of their annual covered salary and the City is required to contribute an actuarially determined rate. The current rate ranges from 2.80% to 6.50% of annual covered payroll. The contribution rates of plan members and the City are established and may be amended by the Maine State Retirement System Board of Trustees. The City's contributions to the Maine State Retirement System Consolidated Plan for the years ended June 30, 2005, 2004, and 2003 were \$692,119, \$667,705, and \$663,217 respectively, equal to the required contributions for each year.

Teachers Group

<u>Description of the Plan</u> - All school teachers, plus other qualified educators, participate in the Maine State Retirement System's teacher group. The teacher's group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine State Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the state legislature. The Maine State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

<u>Funding Policy</u> — Plan members are required to contribute 7.65% of their compensation to the retirement system. The same statute requires the State of Maine Department of Education, to contribute the employer contribution, which amounts to \$3,698,033 (17.77%) for the fiscal year 2005. This amount has been reported as an intergovernmental revenue and education expenditure in the GAAP basis financial statements. There is no contribution required by the school department except for federally funded teachers, for which they contributed 17.77% of their compensation. This cost is charged to the applicable grant.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Social Security

The City does not have a section 218 agreement to provide full social security coverage to its employees. The City does provide full social security coverage to part-time, seasonal and temporary

OTHER INFORMATION, CONTINUED

employees under the Omnibus Budget Reconciliation Act of 1990, and Internal Revenue Service regulations, which became effective July 1, 1991.

E. Landfill Closure and Postclosure Care Costs

Closure of the City's Kittredge Road landfill was completed during the fiscal year ended June 30, 2000. Potential postclosure costs have been deemed immaterial, and therefore no liability for these amounts has been accrued. All necessary postclosure costs will be funded from the annual operating budget.

F. Restatement of Beginning Fund Equity

The beginning net assets for the Airport Fund and the Economic Development Fund were reduced and increased, respectively, by \$314,558, to reflect a prior year sale of fixed assets.

The beginning fund balance for the general fund was increased by \$607,890 to properly classify amounts recorded for self-insurance claims.

The beginning net assets for governmental activities was increased by \$194,341 to reflect the extinguishment of capital leases in the prior year.

G. Subsequent Events

On September 12, 2005, the City Council authorized the issuance of \$6,568,831 in general obligation bonds for the purpose of funding; the construction of a police station, the City's annual fleet replacement, continuation of the CSO program, replacement of Fire Station 6, construction of a new golf course maintenance building as well as several smaller projects.

The City Charter requires maintaining the City's undesignated/unreserved fund balance at between 5% and 10% of the previous year's expenditures, net of debt service. As policy, the City has targeted 7.5% as a reasonable balance. At June 30, 2005, this balance exceeded the City policy of 7.5% by \$657,292. Further City policy prescribes uses for these excess funds, and the Council has been presented with a series of options for the surplus funds. Thus far, Council has appropriated funds from the undesignated/unreserved fund balance in the amount of \$475,818 to fund further environmental assessment of the Penobscot river as well as legal costs.

In October 2005, the City established a special revenue fund for the purposes of receipting and expending funds received due to the operation of a Racino in Bangor. Penn National Gaming began operating a temporary facility in November 2005. The City began receiving payments in that same month.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with the government, which are not required legally or by sound financial management, to be accounted for in another fund.



Balance Sheet General Fund June 30, 2005

ASSETS	
Cash	\$ -
Investments	8,715,652
Receivables:	
Taxes	2,039,149
Accounts (net of allowance of \$268,611)	880,165
Interfund loans	3,976,594
Intergovernmental	1,673,034
Loans	1,210,892
Inventory, at cost	605,286
Prepaid items	42,948
Total assets	\$ 19,143,720
LIABILITIES AND FUND BALANCE Liabilities	ф. дд о од
Accounts payable	\$ 770,35
Accrued wages and benefits payable	3,400,475
Unearned revenue	1,869,225
Total liabilities	6,040,05
Fund balance	
Reserved for:	
Encumbrances	951,462
Prepaid items	42,94
Advances to other funds	1,432,68
Unreserved:	
Designated (Note J)	4,524,37
Undesignated	6,152,19
Total fund balance	13,103,66
Total liabilities and fund balance	\$ 19,143,72

Schedule of Revenues, Expenditures and Changes in Undesignated Fund Balance - Budget and Actual - Budgetary Basis General Fund

	Bal	ances		-	Varia	nce
	Ca	rried		1		
	7/1	/2004	 Budget	 Actual	Surplus	Carried
Revenues						
Taxes						
Real and personal property	\$	-	\$ 40,220,305	\$ 40,302,810	\$ 82,505	\$ -
Change in deferred property tax		-	•	(62,324)	(62,324)	-
Tax increment financing district		-	(1,172,407)	(1,172,407)	*	-
Payment in lieu of taxes		-	186,500	186,500	_	-
Excise		-	4,128,500	4,358,409	229,909	-
Interest on delinquent taxes		-	 230,000	159,143	(70,857)	-
Total taxes		_	 43,592,898	 43,772,131	179,233	
Intergovernmental						
State revenue sharing		-	3,640,000	3,717,717	77,717	-
School subsidy		_	11,550,112	11,550,112	· -	_
Other -			, ,	. ,		
municipal		-	1,972,884	2,572,987	600,103	_
school		-	3,329,531	3,719,897	-	390,366
Total intergovernmental		-	 20,492,527	21,560,713	677,820	390,366
Other revenue						
Licenses and permits		_	409,450	655,745	246,295	-
Charges for service -			,	ŕ	,	
municipal		-	6,313,378	6,886,047	572,669	-
school		-	4,618,982	4,549,286	-	(69,696
Fines, forfeits and penalties		-	21,300	37,288	15,988	-
Revenue from use of money and propert	ty -					
municipal			693,251	594,813	(98,438)	_
school		-	•	-	· •	-
Total other			 12,056,361	 12,723,179	736,514	(69,696
Total revenues			76,141,786	78,056,023	1,593,567	320,670

Schedule of Revenues, Expenditures and Changes in Undesignated Fund Balance - Budget and Actual - Budgetary Basis

General Fund

	Balances			Varian .	ce
	Carried				
	7/1/2004	Budget	Actual	Surplus	Carried
enditures					
General government					
Council	-	43,359	45,137	(1,778)	-
Executive	-	665,280	676,367	(11,087)	-
Human resources	25,000	104,400	88,275	16,125	25,000
City clerk	-	383,942	402,471	(18,529)	-
Assessing	-	338,549	342,247	(3,698)	-
Legal	_	237,655	236,804	851	-
Finance	-	1,210,433	1,208,373	2,060	-
Insurance	_	124,000	129,210	(5,210)	-
Planning, econ dev, code enforcement	12,000	927,397	918,781	20,616	_
Total general government	37,000	4,035,015	4,047,665	(650)	25,000
Public safety					
Police	-	6,074,946	6,044,527	30,419	-
Fire		6,296,761	6,426,260	(129,499)	
Total public safety	*	12,371,707	12,470,787	(99,080)	_
Health, welfare and recreation					
Health and welfare	-	2,164,761	2,634,331	(469,570)	-
Parks and recreation	<u>-</u>	1,165,912	1,231,247	(65,335)	
Total health, welfare and recreation	-	3,330,673	3,865,578	(534,905)	_
Public buildings and services		8,165,250	8,300,731	(135,481)	

Schedule of Revenues, Expenditures and Changes in Undesignated Fund Balance - Budget and Actual - Budgetary Basis General Fund

	Balances			Varian	ce
	Carried		1		
	7/1/2004	Budget	Actual	Surplus	Carried
Expenditures, continued					
Other agencies					
County tax	-	1,931,434	1,931,434	-	*
Private school services	-	108,902	108,018	884	-
Downtown Development District	-	40,961	40,961	-	-
Public library	*	1,353,207	1,353,207	*	-
Other agencies	-	311,090	308,925	2,165	-
Total other agencies	•	3,745,594	3,742,545	3,049	
Education					
Regular	2,024,147	34,746,700	34,336,403	-	2,434,444
Adult education	64,819	609,528	563,725	-	110,622
School lunch	55,947	1,143,072	1,108,729	-	90,290
Reading assessment	19,655	10,000	2,964	-	26,691
Special revenue	354,741	2,325,067	2,575,228	-	104,580
Trust and agency	92,774	1,911,846	1,741,798	-	262,822
Total education	2,612,083	40,746,213	40,328,847	*	3,029,449
Other appropriations					
Pensions and other fringe benefits	-	1,732,465	1,692,014	40,451	-
Debt service	-	1,708,669	1,606,202	102,467	-
Tax increment financing payments	-	355,309	350,898	4,411	•
Contingency	-	-	-	•	_
Total other appropriations	*	3,796,443	3,649,114	147,329	<u>-</u>
Total expenditures	2,649,083	76,190,895	76,405,267	(619,738)	3,054,449
Excess (deficiency) of revenues over					
expenditures	(2,649,083)	(49,109)	1,650,756	973,829	3,375,11

Schedule of Revenues, Expenditures and Changes in Undesignated Fund Balance - Budget and Actual - Budgetary Basis General Fund

	Bal	ances				Variar	ce
·	Car	rried		Γ			
	7/1/	/2004	Budget	 Actual	,	Surplus	Carried
Other financing sources (uses)					•		
Appropriaton from designated fund balance		-	1,221,834	1,097,652		475,818	(600,000
Appropriation from undesignated fund balance		-	1,239,773	-		(1,239,773)	-
Appropriation to designated fund balance		-	(50,000)	(50,000)		-	~
Sale of assets		-	11,000	38,488		27,488	-
Transfers to other funds		-	(1,680,708)	(1,680,708)		•	-
Transfers from other funds		-	48,000	40,526		(7,474)	-
Operating transfers		-	(740,790)	(740,790)		-	_
Total other financing sources (uses)		-	49,109	 (1,294,832)		(743,941)	(600,000
Net change in fund balance	\$ (2	,649,083) \$	-	\$ 355,924		229,888	2,775,119
Indesignated fund balance, beginning of year						5,922,307	
Undesignated fund balance, end of year				 	\$	6,152,195	

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Other HUD Funds – This is used to account for 1) federal grants obtained and expended under the Housing and Community Development Act of 1974, as amended, for the redevelopment of the downtown commercial core of the City and 2) low interest loans to businesses within the City of Bangor for establishment, expansion or redevelopment purposes.

Grant Fund – Accounts for federal and state grants that are legally restricted to expenditures allowable by the grantor agency.

Dedicated Revenue Funds - Accounts for amounts raised or donated to benefit various governmental programs such as; the Dental Clinic, local parks, City forest and Park Woods complex.

Other Funds – Accounts for funds held to be used in future periods such as tax financing district repayments and other community funds for capital expenditures relating to the operation of the area transportation system

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CITY OF BANGOR, MAINE Combining Balance Sheet Nonmajor Governmental Funds June 30, 2005

	· · · · · · · · · · · · · · · · · · ·	Nonmajor				
		Special	ľ	Vonmajor	7	Total Other
		Revenue	P	'ermanent	G	overnmental
		Funds		Funds		Funds
ASSETS						
Cash	\$	-	\$	_	\$	-
Investments		1,762,865		988,661		2,751,526
Receivables:		, ,		,		, ,
Accounts		160		-		160
Loans (net of allowance of \$130,131)		988,371		27,257		1,015,628
Interfund loans		378,582		· -		378,582
Intergovernmental		309,955		-		309,955
Total assets	\$	3,439,933	\$	1,015,918	\$	4,455,851
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$	7,021	\$	-	\$	7,021
Unearned revenue		988,371		•		988,371
Interfund loans		565,567		-		565,567
Total liabilities		1,560,959		-		1,560,959
Fund balances:						
Reserved for:						
Encumbrance		16,998		**		16,998
Loans		-		131,759		131,759
Principal		_		513,851		513,851
Unreserved, undesignated		1,861,976		370,308		2,232,284
Total fund balance		1,878,974		1,015,918	······································	2,894,892
Total liabilities and fund balances	\$	3,439,933	\$	1,015,918	\$	4,455,851

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Other Governmental Funds		
Revenues:					
Taxes \$	1,172,407 \$	-	\$ 1,172,407		
Intergovernmental	3,504,475	-	3,504,475		
Charges for services	498,069	-	498,069		
Program income	3,767	-	3,767		
Revenue from use of money and property	153,947		153,947		
Other revenue	59,379	3,450	62,829		
Interest revenue	, <u>-</u>	17,786	17,786		
Total revenues	5,392,044	21,236	5,413,280		
Expenditures:					
Current: Personnel	452,764	_	452,764		
	4,712	_	4,712		
Equipment	1,216,694	_	1,216,694		
Payments to beneficiaries Other	2,175,388	•	2,175,388		
Bus operations	1,391,962	_	1,391,962		
Program expenditures	1,571,702	4,339	4,339		
Total expenditures	5,241,520	4,339	5,245,859		
Excess (deficiency) of revenues	3,211,020				
over (under) expenditures	150,524	16,897	167,421		
Other financing sources (uses):					
Transfer to other funds	(227,580)	(65,461)	(293,041)		
Transfer from other funds	1,269	12	1,281		
Total other financing sources (uses)	(226,311)	(65,449)	(291,760		
Net change in fund balances	(75,787)	(48,552)	(124,339		
Fund balances, beginning of year	1,954,761	1,064,470	3,019,231		
Fund balances, end of year \$	1,878,974	\$ 1,015,918	\$ 2,894,892		

Combining Balance Sheet

Nonmajor Special Revenue Funds June 30, 2005

						Dedicated			
		Other		Grant		Revenue			Totals
		HUD Funds		Fund		Funds	 Other		2005
ASSETS									
Cash	\$	-	\$	•	\$	-	\$ • /	\$	-
Investments		-		-		845,044	917,821		1,762,865
Receivables:									
Accounts				160		•	-		160
Loans (net of allowance of \$130,131)		988,371		-		-	-		988,371
Interfund loans		378,582		-		-	-		378,582
Intergovernmental		-		309,955		-	 -		309,955
Total assets	\$	1,366,953	S	310,115	\$	845,044	\$ 917,821	s	3,439,933
Liabilities									
Accounts payable	\$	-	\$	5,981	\$	-	\$ 1,040	\$	7,021
Unearned revenue	\$	- 988,371	\$	=	\$	-	\$ -	\$	988,371
Unearned revenue Interfund loans payable	\$	988,371	\$	- 288,378	\$	-	\$ - 277,189	\$	988,371 565,567
Unearned revenue	S	988,371	\$	=	\$		\$ -	\$	988,371 565,567
Unearned revenue Interfund loans payable	\$ 	988,371	\$	- 288,378	\$	- - -	\$ - 277,189	\$	988,371
Unearned revenue Interfund loans payable Total liabilities	\$ 	988,371	\$	- 288,378	\$	-	\$ - 277,189	\$	988,371 565,567
Unearned revenue Interfund loans payable Total liabilities Fund balances:	\$	988,371	\$	- 288,378	\$	- - -	\$ - 277,189	\$	988,371 565,567 1,560,959
Unearned revenue Interfund loans payable Total liabilities Fund balances: Reserved for:	\$	988,371	\$	288,378 294,359	\$	-	\$ - 277,189	\$	988,371 565,567
Unearned revenue Interfund loans payable Total liabilities Fund balances: Reserved for: Encumbrances	\$	988,371	\$	288,378 294,359	***************************************	- - - - - 845,044	 - 277,189	\$	988,371 565,567 1,560,959 16,998
Unearned revenue Interfund loans payable Total liabilities Fund balances: Reserved for: Encumbrances Unreserved:	\$	988,371 - 988,371		288,378 294,359	***************************************	-	 277,189 278,229	\$	988,371 565,567 1,560,959 16,998
Unearned revenue Interfund loans payable Total liabilities Fund balances: Reserved for: Encumbrances Unreserved: Undesignated	\$	988,371 - 988,371 - - 378,582		288,378 294,359 16,998 (1,242)	***************************************	845,044	 277,189 278,229 - 639,592	\$	988,371 565,567 1,560,959

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Special Revenue Funds

					Dedicated		
	Other	G	rant		Revenue		Totals
	IUD Funds	F	und		Funds	Other	2005
Revenues							
Taxes	\$ -	\$	-	\$	- \$	1,172,407 \$	1,172,407
Intergovernmental	-	3	,504,475		-	-	3,504,475
Charges for services	-		498,069		-	-	498,069
Program income	3,767		-		~	-	3,767
Revenue from use of money and property	17,515		-		10,121	126,311	153,947
Contributions	-		-		37,946	21,433	59,379
Other	-		-		-		_
Total revenues	21,282	4	,002,544		48,067	1,320,151	5,392,044
Expenditures	 •						
Personnel	-		452,764		-	· -	452,764
Equipment	-		4,712		•	-	4,712
Payments to beneficiaries	-		-		4,263	1,212,431	1,216,694
Other	-	2	,159,090		•	16,298	2,175,388
Bus operations	-	1	,391,962		-	-	1,391,962
Total expenditures	-	4	,008,528		4,263	1,228,729	5,241,520
Excess (deficiency) of revenues	 						
over (under) expenditures	21,282		(5,984)		43,804	91,422	150,524
Other financing sources (uses)							
Transfers to other funds	_		_		(197,712)	(29,868)	(227,580)
Transfers from other funds	-		1,145		-	124	1,269
Total other financing sources (uses)	 *		1,145		(197,712)	(29,744)	(226,311)
Net change in fund balances	21,282		(4,839)	ı	(153,908)	61,678	(75,787)
Fund balances, beginning of year	357,300		20,595		998,952	577,914	1,954,761
Fund balances, end of year	\$ 378,582	\$	15,756	\$	845,044 \$	639,592 \$	

CITY OF BANGOR, MAINE Combining Balance Sheet Nonmajor Permanent Funds June 30, 2005

		F	Revolving	
	Other		Loan	
	Funds		Funds	Totals
ASSETS				
Investments	\$ 884,159	\$	104,502	\$ 988,661
Loans receivable	 -		27,257	 27,257
Total assets	\$ 884,159	\$	131,759	\$ 1,015,918
FUND BALANCES Liabilities:				
Total liabilities	\$ 	\$	*	\$ _
Fund balances: Loans			131,759	131,759
Principal	513,851		131,737	513,851
Unexpended income	370,308		_	370,308
Total fund balances	884,159		131,759	 1,015,918
Total liabilities and and fund balances	\$ 884,159	\$	131,759	\$ 1,015,918

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Permanent Funds

	Other Funds	R	evolving Loan Funds	Totals
Revenues:				
Investment income	\$ 11,283	\$	6,503	\$ 17,786
Lot sales	3,450		, <u>-</u>	3,450
Total revenues	14,733		6,503	21,236
Expenditures:				
Current:				
Payments to beneficiaries	360		3,000	3,360
Other miscellaneous	-		979	979
Total expenditures	 360		3,979	4,339
Other financing sources (uses):				
Transfer to other funds	(65,461)		-	(65,461)
Transfer from other funds	12		-	12
Total financing sources (uses)	(65,449)		-	 (65,449)
Net change in fund balances	(51,076)		2,524	(48,552)
Fund balances, beginning of year	 935,235		129,235	1,064,470
Fund balances, end of year	\$ 884,159	\$	131,759	\$ 1,015,918

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ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the government is to have the costs of providing goods or services to the general public financed or recovered primarily through user charges. The government has decided that periodic determination of net income is appropriate for accountability purposes.

Sewer Utility Fund – This fund accounts for the costs of construction and operation of the Sewage Treatment Plant, the City sewer system, and sewer operation activities, and is self–supported through sewer user fees.

Airport Fund — This fund accounts for the operation of Bangor International Airport. The principal sources of revenues are landing fees and the sale of aviation fuel. Other revenue sources include lease payments for the use of terminal space and non-aviation industrial buildings.

Park Woods — This fund accounts for the rental of 60 units of surplus housing received from the federal government pursuant to the McKinney Homeless Assistance Act. The principal source of revenue is rental income.

Parking Fund — This fund accounts for the operation of the City-owned parking lots and the Pickering Square garage. Revenue sources include monthly lease payments for parking spaces, hourly/daily parking fees, and fines and waiver fees for parking violations. Certain of these facilities are operated under a private management contract.

Bass Park Fund – This fund accounts for the operation of the Bangor auditorium, Bangor Civic Center, and Bangor State Fair. Principal sources of revenue are admissions, concession sales, and rentals. The fund is named after the Bass family, which bequeathed the property to the City for recreational purposes.

Municipal Golf Course – This fund accounts for the operation of a 27 hole municipal golf course. Principal revenue sources are season memberships and daily green fees.

Economic Development Fund – This fund accounts for the operation and development of properties acquired by the City. Its purpose is to promote economic growth within the City. The principal source of revenue is rental income.

Schedule of Revenues, Expenditures and Encumbrances

Budget and Actual - Budgetary Basis

Sewer Utility Fund - Enterprise Fund

***************************************		Budget	 Actual		Variance
Revenues					
Charges for services	\$	6,327,900	\$ 6,023,893	\$	(304,007)
Operating transfer		-	-		-
Interest and other revenue		703,141	 64,522		(638,619)
Total revenues		7,031,041	 6,088,415	•	(942,626)
Expenditures and encumbrances					
Salaries		925,568	911,025		14,543
Fringe benefits		216,774	222,487		(5,713)
Supplies and materials		828,138	865,212		(37,074)
Contractual services		599,133	567,260		31,873
Interfund charges		537,003	567,448		(30,445)
Miscellaneous		20,150	10,907		9,243
Debt service		3,724,131	5,725,367		(2,001,236)
Depreciation		1,301,912	1,401,247		(99,335)
Outlay		94,230	88,734		5,496
Credits		-	-		-
Total expenditures and encumbrances		8,247,039	10,359,687		(2,112,648)
Excess (deficiency) of revenues over expenditure and encumbrances	es \$	(1,215,998)	\$ (4,271,272)	\$	(3,055,274)

Schedule of Revenues, Expenditures and Encumbrances

Budget and Actual - Budgetary Basis

Airport Fund - Enterprise Fund

Budget A	Actual	Variance
vices \$ 8,953,850 \$11	1,527,062	\$ 2,573,212
fer -	-	- -
er revenue 1,108,274	951,151	(157,123)
nes 10,062,124 12	2,478,213	2,416,089
cumbránces		
3,784,516 3	3,972,482	(187,966)
789,089	849,100	(60,011)
aterials 1,530,100 1	1,863,863	(333,763)
vices 1,758,362 2	2,160,648	(402,286)
es 541,770	512,191	29,579
144,525	173,126	(28,601)
681,283	681,282	1
1,858,565 1	1,897,787	(39,222)
840,473	511,384	329,089
(8,000)		(8,000)
ditures and encumbrances 11,920,683 12	2,621,863	(701,180)
ditures and encumbrances 11,920,683 12 of revenues over expenditures	2,6	

Schedule of Revenues, Expenditures and Encumbrances

Budget and Actual - Budgetary Basis

Park Woods - Enterprise Fund

		Budget	 Actual	V	ariance
Revenues					
Charges for services	\$	296,142	\$ 310,389	\$	14,247
Operating transfer		24,801	24,801		-
Interest and other revenue		-	32		32
Total revenues		320,943	 335,222		14,279
Expenditures and encumbrances					
Salaries		59,493	60,896		(1,403)
Fringe benefits		10,765	10,267		498
Supplies and materials		111,661	128,155		(16,494)
Contractual services		130,315	139,076		(8,761)
Interfund charges		4,725	4,725		-
Miscellaneous		•	-		-
Debt service		-	•		
Depreciation		7,722	7,722		-
Outlay		3,984	1,810		2,174
Credits		-	-		-
Total expenditures and encumbrances		328,665	 352,651		(23,986)
Excess (deficiency) of revenues over expenditu	res \$	(7,722)	\$ (17,429)	\$	(9,707

Schedule of Revenues, Expenditures and Encumbrances

Budget and Actual - Budgetary Basis

Parking Fund - Enterprise Fund

dget	Actual	Variance
69,300	\$ 936,987	\$ (32,313)
12,650	312,650	-
3,000	5,557	2,557
84,950	1,255,194	(29,756)
51,874	152,773	(899)
33,840	32,205	1,635
6,425	4,122	2,303
06,686	293,247	13,439
86,900	134,712	(47,812
<u>-</u>	<u>-</u>	-
81,045	2,308,960	(1,627,915
71,131	471,131	-
18,180	99,064	(80,884)
-	-	- -
56,081	3,496,214	(1,740,133)

71,13	1)	1) \$ (2,241,020)

Schedule of Revenues, Expenditures and Encumbrances

Budget and Actual - Budgetary Basis Bass Park Fund - Enterprise Fund

		Budget	Actual	V	ariance
Revenues				4	(40, 400)
Charges for services	\$	1,278,450	\$ -,	\$	(40,493)
Operating transfer		458,640	458,640		-
Interest and other revenue		•	 773		773
Total revenues		1,737,090	 1,697,370		(39,720)
Expenditures and encumbrances					
Salaries		625,154	646,634		(21,480)
Fringe benefits		98,208	120,954		(22,746)
Supplies and materials		249,400	260,738		(11,338)
Contractual services		401,680	440,409		(38,729)
Interfund charges		123,400	140,956		(17,556)
Miscellaneous		50,000	56,515		(6,515
Debt service		199,248	198,916		332
Depreciation		123,180	103,822		19,358
Outlay		-	324		(324
Credits		(10,000)	 (7,548)		(2,452
Total expenditures and encumbrances		1,860,270	 1,961,720		(101,450
Excess (deficiency) of revenues over expenditure and encumbrances	es S	(123,180)	\$ (264,350)	\$	(141,170

Schedule of Revenues, Expenditures and Encumbrances Budget and Actual - Budgetary Basis

Municipal Golf Course - Enterprise Fund For the Fiscal Year Ended June 30, 2005

		Budget	 Actual	V	ariance
Revenues					
Charges for services	\$	672,000	\$ 586,956	\$	(85,044)
Operating transfer		•			-
Interest and other revenue		12,000	 15,272		3,272
Total revenues		684,000	 602,228		(81,772)
Expenditures and encumbrances					
Salaries		237,232	228,452		8,780
Fringe benefits		34,933	40,067		(5,134
Supplies and materials		58,496	66,326		(7,830
Contractual services		69,000	43,484		25,516
Interfund charges		184,924	61,194		123,730
Miscellaneous		-	-		-
Debt service		6,415	6,415		-
Depreciation		98,050	97,952		98
Outlay		93,000	79,175		13,825
Credits		-	-		•
Total expenditures and encumbrances		782,050	623,065		158,985
Excess (deficiency) of revenues over expenditures and encumbrances	es \$	(98,050)	\$ (20,837)	S	77,21

Schedule of Revenues, Expenditures and Encumbrances

Budget and Actual - Budgetary Basis

Economic Development Fund - Enterprise Fund For the Fiscal Year Ended June 30, 2005

		Budget	 Actual	Variance
Revenues				
Charges for services	\$	268,540	\$ 304,470	35,930
Operating transfer		-	-	_
Interest and other revenue		39,473	143,461	103,988
Total revenues		308,013	447,931	139,918
Expenditures and encumbrances				
Salaries		••	-	-
Fringe benefits		-	-	•
Supplies and materials		44,578	28,293	16,285
Contractual services		44,296	62,097	(17,801
Interfund charges		•	3,209	(3,209
Miscellaneous		27,729	83,347	(55,618
Debt service		180,410	105,133	75,277
Depreciation		11,706	91,002	(79,296
Outlay		11,000	28,998	(17,998
Credits		*	-	<u>-</u>
Total expenditures and encumbrances		319,719	402,079	(82,360
Excess (deficiency) of revenues over expenditu	res			
and encumbrances	\$	(11,706)	\$ 45,853	\$ 57,559

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others.

Agency Funds – Agency Funds are used to account for situations where the City's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.



Schedule of Change in Assets and Liabilities

Agency Fund

····	Balance			Balance
	 July 1, 2004	Additions	Deletions	July 1, 2005
ASSETS				
American Folk Festival funds	\$ 71,060	1,900,279	1,825,570	145,769
Total assets	\$ 71,060	1,900,279	1,825,570	145,769
LIABILITIES				
Funds held for American Folk Festival	\$ 71,060	1,900,279	1,825,570	145,769
Total liabilities	\$ 71,060	1,900,279	1,825,570	145,769

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS



Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity For the Fiscal Year Ended June 30, 2005

	Balance			Balance
Function and Activity	2004	Additions	Deletions	2005
General government				£ 100
Animal control \$	6,607	-	1,469	5,138
BAT community connector	1,513,051	29,646	148,506	1,394,191
Central service	39,290	38,460	41,213	36,537
City clerk	-	27,774	14,581	13,193
City hall	345,892	26,953	18,990	353,855
Community and economic development	3,720,830	-	3,290	3,717,540
Engineering	41,631	41,631	43,713	39,549
Information services	522,510	621,934	557,646	586,798
Legal	10,890	_	2,420	8,470
Motor pool	3,452,884	2,250,146	2,303,110	3,399,920
Other - unclassified	852,363	-	78,467	773,896
Total general government	10,505,948	3,036,544	3,213,405	10,329,087
Public safety				
Fire	2,026,713	622,604	511,872	2,137,445
Police	2,518,782	929,468	559,882	2,888,368
Total public safety	4,545,495	1,552,072	1,071,754	5,025,813
AT 10 10 1 continu				
Health, welfare and recreation			_	_
Health and welfare	2 270 052	269,507	255,648	3,392,811
Parks and recreation	3,378,952		255,648	3,392,811
Total health, welfare and recreation	3,378,952	269,507	233,040	3,392,011
Public building and services				
Public works	15,317,997	9,193,887	4,264,033	20,247,851
Total public buildings and services	15,317,997	9,193,887	4,264,033	20,247,851
			000.045	00.046.05
Education	28,630,715	449,100	832,845	28,246,970
Total governmental fund capital assets	\$ 62,379,107	14,501,110	9,637,685	67,242,532

OTHER INFORMATION



Assessed Valuation, Commitment and Collections For the Fiscal Year Ended June 30, 2005

VALUATION		
Land and buildings Land and buildings - Homestead exemption Personal property	\$ 1,574,650,800 33,907,200 259,687,300	
Total valuation	\$ 1,868,245,300	
COMMITMENT		
Real estate and personal property (excludes Homestead exemption) Tax rate		\$ 1,834,338,100 0.02205
Total commitment		40,447,155
ADD		
Supplemental taxes committed		27,029
		40,474,184
LESS		
Collections 2005 Abatements		39,206,172 160,117
2005 taxes receivable at June 30, 2005		\$ 1,107,895

CITY OF BANGOR, MAINE Undesignated Fund Balance Sufficiency Calculation For the Fiscal Year Ended June 30, 2005

It is the policy of the City to maintain an undesignated fund balance approximately 7.5% of operating expenditures. The following table sets forth the calculation as to the sufficiency of the June 30, 2005 undesignated fund balance.

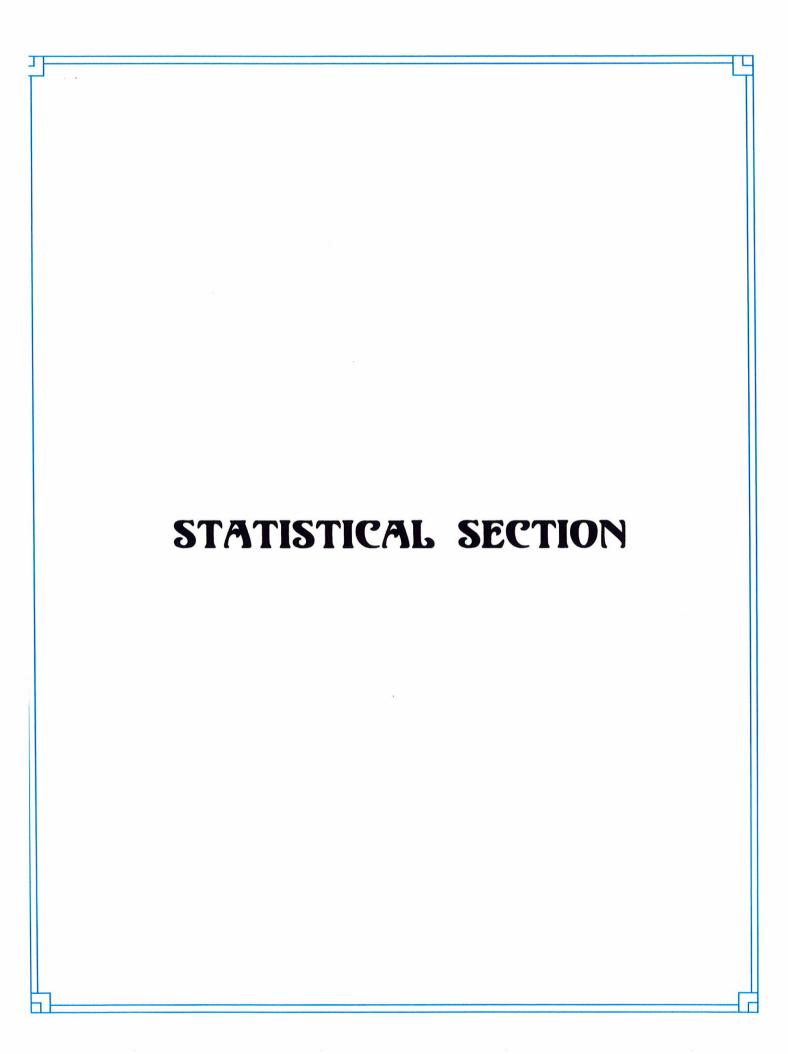
General Fund expenditures/uses (Schedule A-2)

General government	\$ 4,047,665
Public safety	12,470,787
Health, welfare and recreation	3,865,578
Public buildings and services	8,300,731
Other agencies	3,742,545
Education	40,328,847
Other appropriations	3,649,114
Other uses, gross*	2,421,498
Gross expenditures and uses	78,826,765
General Fund debt service **	5,561,392
Net expenditures and uses	\$ 73,265,373
Indicated undesignated fund balance @ 7.5%	\$ 5,494,903
Actual undesignated fund balance (Schedule A-2)	\$ 6,152,195
Actual undesignated fund balance as a percentage of net expenditures and uses	8.40%
Over (under) funded status	\$ 657,292

^{*} excludes amounts appropriated from undesignated fund balance

^{**} excludes refunding payments

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CITY OF BANGOR, MAINE Government-wide Expenses by Function Last Ten Fiscal Years

	Total	82,877,806	86,069,586	88,930,233
	Capital maintenance expenses	1,824,489	2,666,118	1,674,034
	Interest on long-term debt	740,077	3,083,447	3,166,250
	Restricted	6,551,455	6,857,039	7,326,307
	Restricte Education Unclassified grants	2,044,069	389,598	62,639
Last I tu l'Istat I tais	Education	40,828,756	40,279,055	42,659,395
LAST I CEL	Other agencies	3,322,395	3,273,003	3,514,658
	Health Public velfare and buildings recreation and services	7,050,085	7,360,360	7,609,989
	Health weifare and recreation	3,340,989	3,606,827	4,000,249
	Public safety	11,114,804	12,066,567	12,478,326
	General government	6,060,687	6,487,572	6,435,386
		69	↔	69
	Fiscal Year	2003	2004	2005

Only three years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

Government-wide expenses include the following funds; General Fund, Special Revenue Funds, Capital Projects Fund and Permanent Funds.

CITY OF BANGOR, MAINE Government-wide Revenues

				Total	87,473,268	88,356,742	93,311,530
				Earnings Miscellaneous	357,062	(333,244)	(357,397)
	ennes	,	Unrestricted Investment	Earnings	377,113	296,857	519,225
	General Revenues	Grants and	Contributions not Restricted to	Specific Programs	4,059,770	4,512,720	4,487,931
Last Ten Fiscal Years				Taxes	42,128,366	44,603,255	45,113,317
La	Sa	Capital	Grants	Contributions	3,814,705	2,098,577	4,117,072
	Program Revenues	Operating	Grants and	Contributions	21,566,478	24,743,028	25,986,614
			Charges for	Services	15,169,774	12,435,549	13,444,768
		•			∽	6/3	€
			Fiscal	Year	2003	2004	2005

Only three years have been presented because 2003 was the year GASB Statement No. 34 was implemented.

Government-wide revenues include the following funds; General Fund, Special Revenue Funds, Capital Projects Fund and Permanent Funds.

CITY OF BANGOR, MAINE General Fund Expenditures by Function-Budgetary Basis* Last Ten Fiscal Years

Fiscal	General	Public	Health &	Parks &	Public		Debt		Other	
Year	Government	Safety	Welfare	Recreation	Services	Education	Service	Other**	Agencles***	Total
									9	
1996	3,340,732	8,990,888	1,683,177	888,139	7,049,049	28,258,718	1,403,761	45,595	2,046,064	53,706,123
1997	3,378,392	9,723,034	1,805,734	887,122	6,842,469	28,934,989	1,364,213	75,238	2,196,959	55,208,150
1998	3,454,345	10,362,360	1,757,148	923,430	7,648,048	30,190,919	1,335,405	389,805	2,231,591	58,293,051
1999	3,371,246	10,326,120	1,705,099	945,953	7,321,657	31,926,707	1,340,136	131,815	2,391,962	59,460,695
2000	3,481,542	9,527,935	1,652,971	971,887	7,073,693	33,181,363	1,214,661	1,545,415	2,500,460	61,149,927
2001	3,737,126	10,252,977	1,736,958	979,569	7,108,393	34,277,778	1,197,825	1,828,634	3,533,309	64,652,569
2002	3,818,335	10,802,401	1,822,104	1,053,472	7,359,810	37,860,069	866,860	28,670,847	2,953,707	95,207,605
2003	3,992,860	11,104,269	2,090,476	1,081,713	7,919,573	41,455,729	1,611,606	2,211,125	3,311,873	74,779,224
2004	4,132,399	12,100,770	2,334,807	1,145,612	8,129,610	39,158,980	1,288,610	2,017,289	3,508,154	73,816,231
2005	4,047,665	12,470,787	2,634,331	1,231,247	8,300,731	40,328,847	1,606,202	2,042,912	3,742,545	76,405,267

^{*} Amounts appear in Schedule A-2.

^{** &}quot;Other" includes recreation district tax, contingency, TIF related payments, pensions and other fringes. In FY02, pensions and other fringes includes a \$26,942,265 payment to Maine State Retirement.

^{*** &}quot;Other Agencies" includes Penobscot County taxes and support to, among other the Bangor Public Library, local private schools and the Bangor Conventions and Visitors Bureau.

CITY OF BANGOR, MAINE General Fund Revenues by Source-Budgetary Basis* Last Ten Fiscal Years

Fiscal	Real	Personat		Total Tax	Inter-	Licenses &	Charges for	Fines & For-	Use of Money &	
Year	Property	Property	Excise	Revenues	mental	Permits	Services	feitures	Property	Total
1996	27,340,204	3,545,267	2,754,819	33,640,290	13,803,107	324,639	6,940,083	26,569	1,066,083	55,800,771
1997	27,036,650	3,748,446	2,926,858	33,711,954	14,322,698	372,003	7,138,210	42,350	924,742	56,511,957
1998	27,750,306	4,224,568	3,095,072	35,069,946	16,233,583	433,449	7,529,144	28,193	546,229	59,840,544
1999	27,484,400	4,487,895	3,266,421	35,238,716	17,733,946	499,483	7,879,418	24,813	600,085	61,976,461
2000	28,498,443	4,945,754	3,592,979	37,037,176	18,936,166	393,354	8,147,181	19,178	933,427	65,466,482
2001	29,474,793	5,280,324	3,749,219	38,504,336	19,114,860	392,778	8,914,248	15,106	1,187,296	68,128,624
2002	30,767,352	5,796,498	3,935,924	40,499,774	19,580,491	298,665	9,755,012	28,009	980,442	71,142,393
2003	31,277,657	6,579,434	4,091,505	41,948,596	20,508,789	409,842	9,575,973	9,707	766,574	73,219,481
2004	32,147,058	6,312,479	4,306,055	42,765,592	21,394,938	374,499	10,396,130	32,659	540,763	75,504,581
2005	33,684,663	5,729,059	4,358,409	43,772,131	21,560,713	655,745	11,435,333	37,288	594,813	78,056,023

^{*} Amounts appear in Schedule A-2.

CITY OF BANGOR, MAINE General Fund Expenditures/Other Uses and Revenues/Other Sources-Budgetary Basis* Last Ten Fiscal Years

-		Ot	her Uses			Othe	r Sources			
Fiscal Year	Appropriations to Fund Balance	Operating Transfers Out & Other	Total Other Uses	Total General Fund Expenditures & Other Uses	Appropr- lations from Fund Balance	Operating Transfers In & Other Sources	Total Other Sources	Total General Fund Revenues & Other Sources	Excess(Deficiency) of Revenues/Other Sources Over Expenditures/ Other Uses	
1996	-	1,871,914	1,871,914	56,285,901	689,909	76,249	766,158	56,363,761	77,860	
1997	-	2,360,375	2,360,375	56,066,498	1,249,123	377,448	1,626,571	57,427,342	1,360,844	
1998		1,528,803	1,528,803	56,736,953	333,731	357,459	691,190	57,203,147	466,194	
1999	-	1,640,914	1,640,914	59,933,965	362,286	77,903	440,189	60,280,733	346,768	
2000	240,000	1,803,724	2,043,724	61,504,419	21,550	71,682	93,232	62,069,693	565,274	
2001	285,000	2,022,267	2,307,267	66,959,836	29,047	65,537	94,584	68,223,208	1,263,372	
2002	26,500	2,749,818	2,776,318	97,983,923	82,147	28,454,275	28,536,422	99,678,815	1,694,892	
2003	-	3,038,463	3,038,463	77,817,687	431,636	3,871,604	4,303,240	77,522,721	(294,966)	
2004	-	4,840,638	4,840,638	78,656,869	657,447	89,413	746,860	76,251,441	(2,405,428)	
2005	50,000	2,421,498	2,471,498	78,876,765	1,097,652	79,014	1,176,666	79,232,689	355,924	

Amounts appear in Schedule A-2.

CITY OF BANGOR, MAINE Property Tax Levies and Collections Last Ten Fiscal Years

								% of	Outstanding	Ratio of
					% of	Delinquent	Total	Total Tax	Current Year	Current Year
Fiscal	Gross Tax	Abate-	Net Tax	Current	Net Levy	Tax	Tax	Collection	Delinquent	Delinquencies
Year	Levy	ments	Levy	Collections	Collected	Collections	Collections	to Net Levy	Taxes	to Net Levy
1996	31,084,237	341,860	30,742,377	29,297,048	95.30%	1,469,986	30,767,034	100.08%	1,445,329	4.70%
1997	31,437,259	395,775	31,041,484	29,481,717	94.98%	1,570,081	31,051,798	100.03%	1,560,037	5.03%
1998	32,600,063	364,524	32,235,539	30,805,625	95.56%	1,543,779	32,349,404	100.35%	1,429,914	4.44%
1999	32,611,689	145,123	32,466,566	31,084,751	95.74%	1,503,187	32,587,938	100.37%	1,381,815	4.26%
2000	34,069,975	246,152	33,823,823	32,809,377	97.00%	719,683	33,529,060	99.13%	1,014,446	3.00%
2001	35,283,733	258,412	35,025,321	33,930,930	96.88%	1,565,244	35,496,174	101.34%	1,094,391	3.12%
2002	36,893,245	208,211	36,685,034	35,633,029	97.13%	1,655,407	37,288,436	101.64%	1,052,005	2.87%
2003	39,081,183	311,677	38,769,506	37,785,056	97.46%	1,506,817	39,291,873	101.35%	984,450	2.54%
2004	39,866,850	172,868	39,693,982	38,589,047	97.22%	1,154,693	39,743,740	100.13%	1,104,935	2.78%
2005	40,474,184	160,117	40,314,067	39,206,172	97.25%	1,310,311	40,516,483	100.50%	1,107,895	2.75%

CITY OF BANGOR, MAINE
Assessed and Estimated Market Value of Property*

Table 7

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total	% Change
1996	1,201,371,900	139,604,900	1,340,976,800	2.69%
1997	1,206,956,900	156,506,600	1,363,463,500	1.68%
1998	1,210,414,700	176,756,000	1,387,170,700	1.74%
1999	1,219,950,500	188,488,200	1,408,438,700	1.53%
2000	1,267,153,100	208,423,500	1,475,576,600	4.77%
2001	1,314,964,400	222,823,400	1,537,787,800	4.22%
2002	1,346,728,900	241,682,200	1,588,411,100	3.29%
2003	1,412,798,100	278,430,400	1,691,228,500	6.47%
2004	1,471,773,600	268,555,600	1,740,329,200	2.90%
2005	1,608,558,000	259,687,300	1,868,245,300	7.35%

It is City policy to assess at 100% of estimated market value.

CITY OF BANGOR, MAINE Property Tax Rate - Direct and Overlapping Governments Last Ten Fiscal Years

Fiscal Year	General City Government	General Fund Debt Service	Education	Penobscot County	Total Tax/ (Mill) Rate
1996	9.72	1.06	11.51	0.86	23.15
1997	9.61	1.08	11.33	0.88	22.90
1998	9.64	1.28	11.57	0.86	23.35
1999	9.67	1.1	12.11	0.92	23.80
2000	9.73	0.97	12.09	0.91	23.70
2001	9.64	1.01	11.89	0.91	23.45
2002	9.81	0.73	12.24	0.97	23.75
2003	9.51	0.74	12.27	1.08	23.60
2004	9.26	0.79	12.22	1.08	23.35
2005	8.2	1.18	11.59	1.08	22.05

CITY OF BANGOR, MAINE Principal Taxpayers June 30, 2005

		Assessed	% of Total	Cumulative
Taxpayer	Business	Value	Tax Base	%
BANMAK Associates	Shopping mall	\$ 54,054,100	3.11%	3.11%
General Electric*	Steam turbine manufacturer	43,956,100	2.53%	5.44%
Paradign Development LLC	Utility	24,450,900	1.40%	6.84%
Bangor Savings Bank	Financial institution	16,867,900	0.97%	8.02%
Eastern Maine Healthcare	Medical institution	16,073,000	0.92%	8.94%
QV Realty Trust	Real estate interests	13,226,100	0.76%	9.70%
May Department Stores	Retailer	11,855,800	0.68%	10.38%
Airport Mall Associates	Shopping mall	11,659,800	0.67%	11.05%
Cabrel Company	Real estate interests	11,635,200	0.67%	11.72%
Campanelli Investments	Shopping center	9,026,100	0.52%	12.01%
Totals		\$ 212,805,000	=	

^{*} Net of \$53,170,400 of tax increment financing assets.

CITY OF BANGOR, MAINE Computation of Legal Debt Margin June 30, 2005

Total State Valuation

\$1,861,350,000

Debt Limitation:

15% of State Valuation

\$ 279,202,500

Debt Applicable to Debt Limitation:

				Bonded Ge	neral Obligation	Debt
	Legal M	l aximum	ı		As a Per	rcent of
Purpose	Percentage	Amount		Dollar Amount	Maximum	State Valuation
Municipal	7.50%	\$ 139,601,250	\$	64,566,557	46.25%	3.47%
School	10.00%	186,135,000		12,926,417	6.94%	0.69%
Sewer	7.50%	139,601,250	***************************************	28,700,333	20.56%	1.54%
	ed Debt Applicab Debt Limit:	le	\$	106,193,307	38.03%	5.71%
Margin for	Additional Borro	wing:	\$	173,009,193		

CITY OF BANGOR, MAINE Ratio of Net General Obligation Debt to Assessed Value and Net General Obligation Debt Per Capita Last Ten Fiscal Years

Ratio of Net Bonded Debt Fiscal Assessed To Assessed Net Bonded Per Year Population* Value GO Debt** Value Capita 1996 31,849 1,340,976,800 24,937,760 1.86% 783.00 1997 31,479 1,363,463,500 25,763,268 1.89% 818.43 1998 31,134 1,387,170,700 28,261,855 2.04% 907.75 1999 30,783 1,408,438,700 27,205,258 1.93% 883.78 2000 31,311 1,475,576,600 27,713,328 1.88% 885.10 2001 31,473 1,537,787,800 30,434,229 1.98% 966.99 2002 31,595 1,588,411,100 66,818,681 4.21% 2,114.85 2003 31,541 1,691,228,500 65,323,120 3.86% 2,071.05 2004 31,550 1,740,329,200 69,638,974 4.00% 2,207.26 2005 31,595 1,868,245,300 65,988,998 3.53% 2,088.59

^{*} Source: Maine Department of Human Services (1991 through 1994), Maine Department of Human Services, Maine State Planning Office and City of Bangor (1995 through 2000) and U.S.Census Bureau (2001 through 2005).

^{**} Net Bonded General Obligation Debt Consists of all non-self supporting general obligation debt, and excludes all Sewer Utility debt of \$28,700,334, Airport debt of \$9,003,707, Golf Course debt of \$93,511 and Economic Development debt of \$2,406,757.

CITY OF BANGOR, MAINE Ratio of Annual Debt Service Expenditures for General Obligation Debt to Total General Fund Expenditures Last Ten Fiscal Years

Debt		Total		Ratio of Debt Service To		
	Interest	Total				General Fund Expenditures
2,180,072	948,868	3,128,940		53,706,123		5.83%
2,039,162	852,963	2,892,125		55,208,150		5.24%
2,032,188	1,051,394	3,083,582		58,293,051		5.29%
2,012,109	973,276	2,985,385		59,460,695		5.02%
2,038,664	1,059,773	3,098,437		61,149,927		5.07%
2,389,399	1,097,765	3,487,164		64,652,569		5.39%
1,707,483	1,686,455	3,393,938		67,566,552	**	5.02%
2,053,480	3,292,171	5,345,651		74,779,224		7.15%
2,232,944	3,080,468	5,313,412		73,816,231		7.20%
2,489,646	3,071,746	5,561,392	***	76,405,267		7.28%
	Principal 2,180,072 2,039,162 2,032,188 2,012,109 2,038,664 2,389,399 1,707,483 2,053,480 2,232,944	Principal Interest 2,180,072 948,868 2,039,162 852,963 2,032,188 1,051,394 2,012,109 973,276 2,038,664 1,059,773 2,389,399 1,097,765 1,707,483 1,686,455 2,053,480 3,292,171 2,232,944 3,080,468	2,180,072 948,868 3,128,940 2,039,162 852,963 2,892,125 2,032,188 1,051,394 3,083,582 2,012,109 973,276 2,985,385 2,038,664 1,059,773 3,098,437 2,389,399 1,097,765 3,487,164 1,707,483 1,686,455 3,393,938 2,053,480 3,292,171 5,345,651 2,232,944 3,080,468 5,313,412	Principal Interest Total 2,180,072 948,868 3,128,940 2,039,162 852,963 2,892,125 2,032,188 1,051,394 3,083,582 2,012,109 973,276 2,985,385 2,038,664 1,059,773 3,098,437 2,389,399 1,097,765 3,487,164 1,707,483 1,686,455 3,393,938 2,053,480 3,292,171 5,345,651 2,232,944 3,080,468 5,313,412	Principal Interest Total General Fund Expenditures* 2,180,072 948,868 3,128,940 53,706,123 2,039,162 852,963 2,892,125 55,208,150 2,032,188 1,051,394 3,083,582 58,293,051 2,012,109 973,276 2,985,385 59,460,695 2,038,664 1,059,773 3,098,437 61,149,927 2,389,399 1,097,765 3,487,164 64,652,569 1,707,483 1,686,455 3,393,938 67,566,552 2,053,480 3,292,171 5,345,651 74,779,224 2,232,944 3,080,468 5,313,412 73,816,231	Debt Service Expenditures Total General Fund Expenditures* Principal Interest Total General Fund Expenditures* 2,180,072 948,868 3,128,940 53,706,123 2,039,162 852,963 2,892,125 55,208,150 2,032,188 1,051,394 3,083,582 58,293,051 2,012,109 973,276 2,985,385 59,460,695 2,038,664 1,059,773 3,098,437 61,149,927 2,389,399 1,097,765 3,487,164 64,652,569 1,707,483 1,686,455 3,393,938 67,566,552 *** 2,053,480 3,292,171 5,345,651 74,779,224 2,232,944 3,080,468 5,313,412 73,816,231

Budget basis, Schedule A-2

^{** 2002} General Fund Expenditures have been reduce by the one time payment to the MSRS totaling \$27,641,053

^{***} Debt service exludes \$1,668,886 in refunding payments

CITY OF BANGOR, MAINE Computation of Direct and Overlapping Debt June 30, 2005

	Total Debt Outstanding	Percentage Applicable to Bangor	Amount Applicable to Bangor
Direct Debt			
City of Bangor			
General Obligation Bonds	\$106,193,307	100.00%	\$ 106,193,307
Overlapping Debt			
Penobscot County	510,000	23.47%	119,697
Total Debt	\$106,703,307		\$ 106,313,004

CITY OF BANGOR, MAINE Demographic Statistics Last Ten Calendar Years

Fiscal Year	Population *	Median Household Income*	Median Age*	Public School Enrollment**	Unemploy- ment Rate ***
1995	31,849	Data not	Data not	4,257	5.72%
1996	31,479	available Data not available	available Data not available	4,394	4.52%
1997	31,134	Data not	Data not	4,408	4.80%
1998	30,783	Data not	Data not	4,377	3.60%
1999	31,311	available Data not	available Data not	4,410	2.99%
2000	31,473	available 29,740	available 36.1	4,281	2.85%
2001	31,595	29,740	36.1	4,316	3.01%
2002	31,541	29,740	36.1	4,205	3.12%
2003	31,550	29,740	36.1	4,019	3.40%
2004	31,595	29,740	36.1	4,006	4.30%

* Source: U.S. Census

** Source: Bangor School Department
*** Source: Bureau of Labor Statistics

CITY OF BANGOR, MAINE Taxable Retail Sales (000's) Last Ten Calendar Years

	Taxable Retail Sales in:		Bangor as Percent of		
Calendar Year	City of Bangor	Penobscot County	State of Maine	County	State
1995	731,195	1,269,502	10,414,283	57.60%	7.02%
1996	784,965	1,333,801	10,915,108	58.85%	7.19%
1997	1,020,875	1,473,461	11,323,937	69.28%	9.02%
1998	1,087,277	1,573,243	12,311,991	69.11%	8.83%
1999	1,215,497	1,738,263	13,453,367	69.93%	9.03%
2000	1,300,292	1,849,715	13,939,682	70.30%	9.33%
2001	1,296,936	1,847,194	14,169,119	70.21%	9.15%
2002	1,364,873	1,930,534	14,619,785	70.70%	9.34%
2003	1,444,699	2,033,711	15,289,113	71.04%	9.45%
2004	1,499,734	2,134,202	16,096,203	70.27%	9.32%

Source: Maine State Planning Office and Maine Bureau of Taxation

CITY OF BANGOR, MAINE
Residential and Commercial Building Permits and Bank Deposits
(Dollar Amounts in Thousands)
Last Ten Calendar Years

		Property Value				Building	Building Permits			
				Resi	Residential	Non-Re	Non-Residential	Tol	Totals	
Calendar Year	Estimated Commercial	Estimated Residential	Total	Units	Value	Units	Value	Units	Value	Bank Deposits*
1995	630,259.1	710,717.7	1,340,976.8	279	3,203.0	198	17,392.7	477	20,595.7	749,352.0
1996	640,827.8	722,635.7	1,363,463.5	283	4,013.8	192	18,773.8	475	22,787.6	762,181.0
1997	651,970.2	735,200.5	1,387,170.7	303	2,966.9	222	29,368.5	525	32,335.4	792,341.8
1998	661,966.2	746,472.5	1,408,438.7	284	3,149.7	223	37,984.6	507	41,134.3	808,188.7
1999	693,521.0	782,055.6	1,475,576.6	269	7,252.0	220	24,772.6	489	32,024.6	799,166.0
2000	722,760.3	815,027.5	1,537,787.8	296	9,637.9	191	18,888.9	487	28,526.8	780,101.0
2001	746,553.2	841,857.9	1,588,411.1	248	4,291.7	198	21,175.2	446	25,466.9	827,173.0
2002	794,877.4	896,351.1	1,691,228.5	277	5,076.1	199	25,313.9	476	30,390.0	Data Not Available
2003	817,954.7	922,374.5	1,740,329.2	310	9,616.5	38	25,046.3	348	34,662.8	1,601,465.0
2004	878,075.3	990,170.0	1,868,245.3	314	13,915.1	175	29,998.8	489	43,913.9	1,847,581.0

Source: Maine Bureau Financial Institutions

CITY OF BANGOR, MAINE Miscellaneous Statistics June 30, 2005

City Employees		Public Education	
Full time	483	Number of schools	10
Part Time	426	Number of teachers	361
		Number of students	3,989
Police Protection		Fire Protection	
Number of officers	75	Number of firefighters	93
Number of civilian employee	es 17	Number of civilian employees	5
Number of stations	1	Number of stations	3
Number of vehicles	57	Number of vehicles	20
Number of calls for service	23,945	Number of calls for service	9,800
		Number of training facilities	1
		ISO fire protection rating	2
Parks and Recreation		Sewers	
Number of parks	29	Miles of sanitary sewers	103
Number of play areas	10	Miles of combined sewers	44
Acres of park land	950	Miles of interceptor sewers	9
Indoor ice arena	1	Treatment plant	1
Semi-pro baseball stadium	1	Pump stations	5
Public golf courses	1.5	Combined sewer overflow locations	12
Public swimming pools	2	Storage tanks	3
Football stadium	1	ŭ	
Recreation center	1		
	Public Library		
	Number of branches	1	
	Number of volumes	483,776	
	Registered borrowers	•	
	Annual circulation	451,248	
	Addition Chemation	731,240	

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